

CITY OF NEWTON, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

PREPARED BY
CITY OF NEWTON FINANCE DEPARTMENT



CITY OF NEWTON, NORTH CAROLINA

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INTRODUCTORY SECTION

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Letter of Transmittal

The Honorable Mayor, Members of the
City Council and the Citizens
City of Newton, North Carolina

State law requires that every local government publish within four months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2009.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that management has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lowdermilk Church & Co., L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Newton's financial statements for the fiscal year ended June 30, 2009. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Newton, founded in 1843 and incorporated in 1855, is the County seat of Catawba ("the County"). It is located in the western part of the piedmont section of the State, approximately 39 miles northwest of Charlotte and 10 miles southeast of Hickory. Evidence of our long and distinguished history abounds throughout the stately streets of the City. The State of North Carolina has erected several historical markers to honor some of the important events, landmarks, and distinguished people in Newton's past. The City currently occupies approximately thirteen square miles and serves a population of 13,670. Newton is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Newton is one of several incorporated municipalities in the County and operates under the council-manager form of government. The Mayor is elected at large for a four-year term. The Mayor votes only to break tie votes. The City Council has policy making and legislative authority. Members are elected at large on a staggered basis in a city-wide election. Three members of the City Council are elected every two years, serving four year terms. The City Council is responsible for the City annual budget and any amendments thereto, approving economic development plans and incentives, zoning and planning issues, and other matters related to the health and welfare of the City. The Council also appoints the City Manager and City Attorney. The City Manager works at the pleasure of the City Council and is responsible for implementing Council policies and City ordinances, managing daily operations, and acts on all recommendations of employment for the City.

The City of Newton provides a full range of services, including planning and zoning, police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, and other infrastructure, parks, recreation and cultural activities, electric, water and wastewater service. This report includes all of the City's activities in delivering and administering these services. The City also extends financial support to certain boards, agencies, and commissions to assist in their efforts in serving the citizens of the City of Newton. Among these are the Catawba Arts Council, Catawba County Library, and the Western Piedmont Regional Transit Authority. The Authority serves a four county area including Burke, Caldwell, Catawba and Alexander counties as well as serving the cities of Hickory, Conover and Newton. Because City allocations do not constitute a major portion of their revenue, and because the City has no authority to designate their management, none of these organizations have been included in this report.

The Council is required by state statute to adopt a budget by July 1 of each year. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Newton's financial planning and control. The budget is prepared by fund and department. Appropriations are authorized by department totals. The Finance Director is authorized to reallocate departmental appropriations between line item objects of expenditures and revenues as necessary during the budget year.

Local Economy

Major industries located within the City and its environs include manufacturers of consumables for the field of medicine and research, automotive suspension components, communications equipment including cable and wireless technology, baked foods, primary metal products, defense related communications equipment as well as traditional furniture and textiles. Newton has been fortunate to have recently experienced adaptive re-use of several former textile and furniture facilities creating jobs and diversifying the mix of companies providing employment. The City has very favorable water, sewer, and electrical rate structures as well as an aggressive and innovative approach to economic development incentives which has enabled it to be competitive and attractive to prospective industries seeking to build new facilities. In addition to its manufacturing sector, the City enjoys a diversity of non-industrial employers including the Catawba County Administrative and Justice Center complex and recently expanded jail facility, administrative offices of the Newton-Conover and the Catawba County School systems, a new Target Distribution Center, the North American headquarters of Sarstedt Corporation, and the Commscope Cable Technology Center.

The current worldwide recessionary conditions have had a significant effect on the state, region, county and city in terms of unemployment. During the past ten years (1999-2008) the unemployment rate rose from 1.8% (September 1999) to the highest rate in over 20 years at 14.9% (April 2009). The state and national unemployment rates as of May, 2009 were 10.9% and 9.5%, respectively. Unemployment in the near term is expected to gradually decrease as the worldwide economic recovery accelerates. We believe that the City of Newton's longer term outlook will improve as a result of location of new companies and expansion of existing ones.

The City is working diligently with the Catawba County Economic Development Corporation, North Carolina Department of Commerce and the Carolinas Regional Partnership to build a diversified economic base by recruiting new businesses and industry, by retaining existing business and industry and helping them to grow and to foster creation of jobs. These objectives involve targeting and recruiting specific renewable energy subsectors, all levels of data centers, defense and security, health and life sciences, as well as environmental and energy related technology while at the same time exploring opportunities to assist existing companies in finding capital and opportunities that will enable them to remain competitive and expand.

Assessed value of taxable property increased from \$955,511,373 in 2008 to \$975,260,775 in 2009. This is an increase of \$19,749,402 or 2.1 percent. This increase allowed the City to balance the fiscal year 2009 budget without a property tax increase.

During the past five year period, Total Primary Government Program Revenues have decreased 4.9 percent. During that same period Governmental Charges for Services have increased 17.4 percent. Charges for Services were adjusted in the fiscal year 2010 budget.

Long-term Financial Planning and Major Initiatives

The City seeks to consistently maintain a strong financial position. A key financial goal of the City for many year has been the maintenance of a 21% undersigned fund balance level in the General Fund. Undesignated fund balance in the General Fund for Fiscal Year 2009 is 23.8 percent, which is above the required 8 percent established by the State of North Carolina. As demonstration of the City's commitment to financial planning and fiscal health, the undesignated fund balance in the General Fund was \$2,694,337. Another goal of the City is to avoid budgeting recurring expenses with one-time revenue sources. Implementing a mix of pay-as-you-go with long-term debt funding for capital needs is yet another goal of the City.

The City has identified its immediate capital improvement needs and we estimate a projected timetable of three to five years with projected total costs to the City of Newton of approximately \$12,820,487. These include extending water and wastewater infrastructure and electric distribution improvements. Other improvements still under construction include a new fire station and downtown master plan improvements.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the twenty fourth consecutive year that Newton has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the GFOA award, the City was the recipient of several other awards that are indicative of excellence in city associated services and activities. Those awards included a Reliable Public Power (RP3) recognition from the American Public Power Association, "Gold" certification in Catawba County Champions of Education's "Education Matters", and seven ElectriCities Public Power Awards of Excellence in the following areas: Economic Development, Communications, Training, Key Accounts, Customer Service, Grassroots/Building Political Strength and Energy Efficiency.

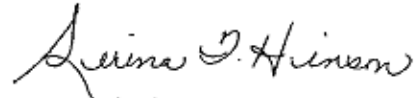
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

In closing, we would like to express our appreciation to the Mayor and City Council for their leadership, interest, and unfailing support for maintaining the highest standards of professionalism in the management of the City of Newton's finances.

Respectfully submitted,



E. Todd Clark
City Manager



Serina T. Hinson
Finance Director

December 9, 2009

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newton
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

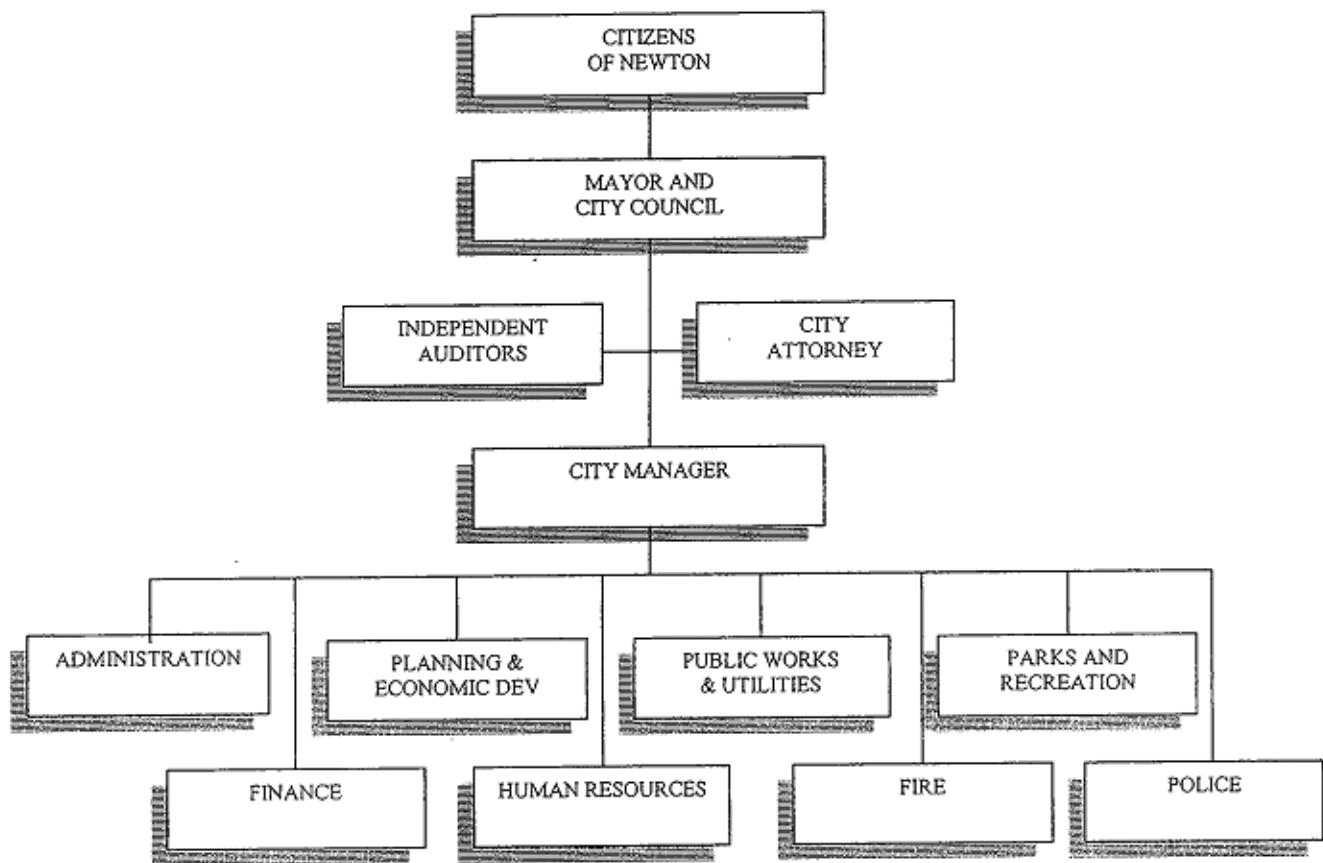
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF NEWTON ORGANIZATIONAL CHART



CITY OF NEWTON, NORTH CAROLINA

PRINCIPAL OFFICIALS

CITY COUNCIL



ROBERT A. MULLINAX
Mayor



H. TOM ROWE



ANNE STEDMAN
Mayor Pro Tem



ALBERT GAITHER



WAYNE DELLINGER



MARY BESS LAWING



ROY A. JOHNSON

CITY OF NEWTON, NORTH CAROLINA

PRINCIPAL OFFICIALS

CITY ADMINISTRATION



E. TODD CLARK
City Manager

DONALD G. BROWN II
Police Chief

KEVIN L. YODER
Fire Chief

GLENN J. PATTISHALL
Planning Director/Asst. City Manager

SERINA T. HINSON
Finance Director

TERESA B. LAFFON
Human Resources Director

BEUNICE ROBERTS
City Clerk/Asst. to the City Manager

WILCE MARTIN
Public Works/Utilities Director

SANDRA A. WATERS
Parks and Recreation Director

LARRY PITTS
City Attorney

FINANCIAL SECTION

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 - **Management Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to the Financial Statements**
 - **Required Supplementary Information**
 - **Combining, Individual Fund Statements
and Schedules**
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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Newton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newton, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, North Carolina as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2009 on our consideration of the City of Newton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the Law Enforcement Officers Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions and budgetary comparison information on pages 10 through 21, 63 through 64, 65 through 66 and 68 through 75, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton, North Carolina's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of Newton, North Carolina. The combining and individual fund financial statements, schedules, capital assets and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory information and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lawfermilk Church & Co.

December 9, 2009

Management's Discussion and Analysis

As management of the City of Newton, we offer readers of the City of Newton's financial statements this narrative overview and analysis of the financial activities of the City of Newton for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

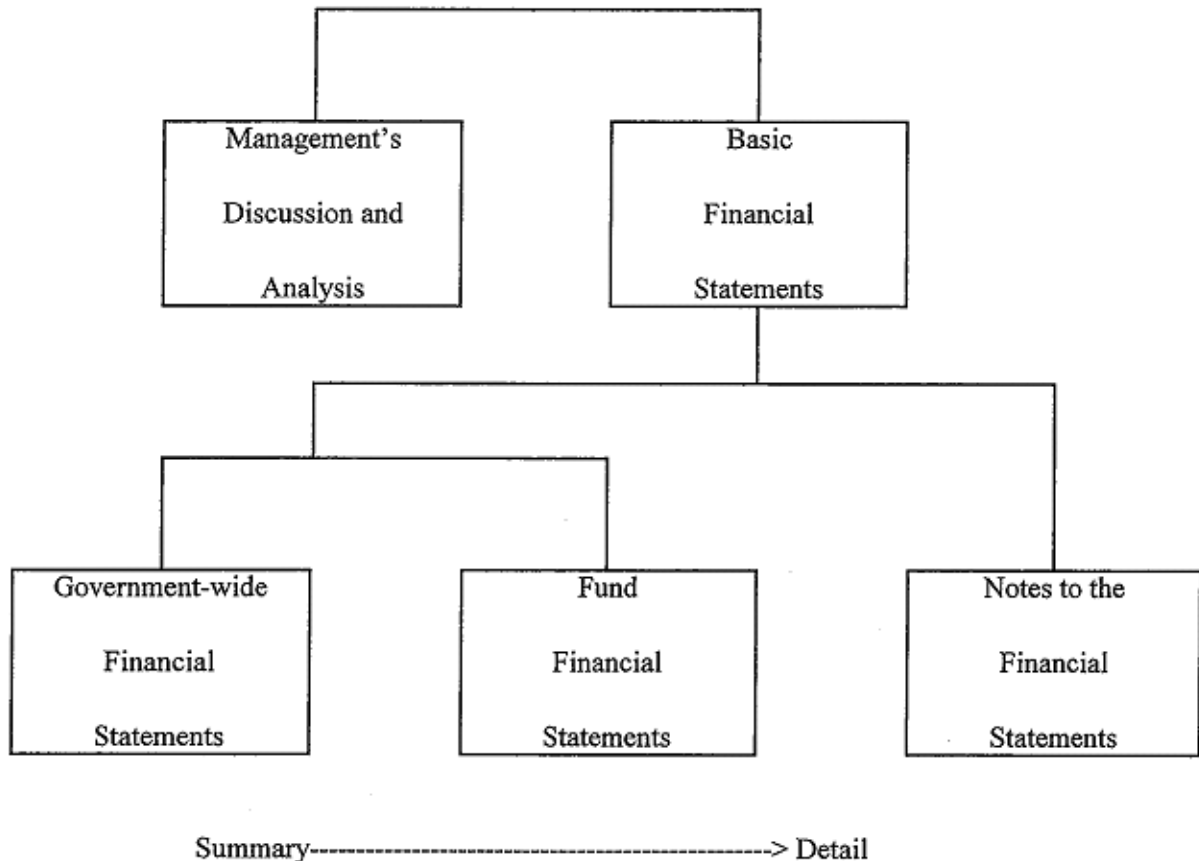
Financial Highlights

- The assets of the City of Newton exceeded its liabilities at the close of the most recent fiscal year by \$41,389,884 (net assets). Of this amount, \$5,757,503 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,188,295.
- As of the close of the current fiscal year, the City of Newton's governmental funds reported combined ending net assets of \$10,855,212 with a net change of (\$22,873) in fund balance. Approximately 38.1% of this total amount, \$4,136,962, is available for spending at the City's discretion (unreserved net assets).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$2,694,337, or 23.8% of total General Fund expenditures.
- The City of Newton's total debt increased by \$2,544,328 (11.92%), which includes unfunded law enforcement officers' pension liability, other post retirement benefits and compensated absences liabilities required to be included in this report by GASB 34. The City's total indebtedness is \$23,880,811.
- The City's legal debt limit is \$78,020,862 (8 percent of assessed valuation) and the City's legal debt margin is \$55,018,039. The total legal indebtedness of the City is \$23,002,823, which represents 2.36% of assessed valuation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Newton's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Newton.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibit 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibit 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual functions of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are services provided by the City that are supported by revenues charged to customers who receive those services. These include the water, wastewater and electric utility services offered by the City of Newton.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements. The fund financial statements, Exhibits 3 through 10, provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Newton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes and the City's budget ordinance. All of the funds of the City of Newton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Newton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund, Exhibit 7, demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. These funds account for business-type activities. The City of Newton has two different kinds of proprietary funds: Enterprise Funds and an Internal Service Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Newton uses enterprise funds to account for its water and wastewater activities and for its electric operations, Exhibit D-1 through D-6. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of The City of Newton. The City uses an internal service fund, Exhibit D-7, to account for one activity - its health insurance. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 34 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Newton's progress in funding its obligation to provide pension benefits and other postemployment benefit to its employees. Required supplementary information can be found beginning on page 63 of this report.

The individual and combining statements of the general fund, the other governmental funds, the enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 67-90 of this report.

Government-wide Financial Analysis

	City of Newton's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 5,983,275	\$ 6,907,153	\$ 6,638,860	\$ 4,651,496	\$12,622,135	\$11,558,649
Capital assets	<u>10,751,001</u>	<u>9,813,711</u>	<u>44,486,800</u>	<u>43,709,352</u>	<u>55,237,801</u>	<u>53,523,063</u>
Total assets	<u>\$16,734,276</u>	<u>\$16,720,863</u>	<u>\$51,125,661</u>	<u>\$48,360,849</u>	<u>\$67,859,936</u>	<u>\$65,081,712</u>
Long term liabilities outstanding	\$ 4,161,822	\$ 4,023,497	\$16,264,961	\$14,101,014	\$20,426,783	\$18,124,511
Other liabilities	<u>1,717,242</u>	<u>1,819,281</u>	<u>4,326,028</u>	<u>4,936,331</u>	<u>6,043,270</u>	<u>6,755,612</u>
Total liabilities	<u>\$ 5,879,064</u>	<u>\$ 5,842,778</u>	<u>\$20,590,989</u>	<u>\$19,037,345</u>	<u>\$26,470,053</u>	<u>\$24,880,123</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 6,559,160	\$ 6,427,305	\$28,914,131	\$28,311,430	\$35,473,291	\$34,738,735
Restricted	159,091	250,152	-	-	159,091	250,152
Unrestricted	<u>4,136,962</u>	<u>4,200,628</u>	<u>1,620,541</u>	<u>1,012,074</u>	<u>5,757,503</u>	<u>5,212,702</u>
Total net assets	<u>\$10,855,213</u>	<u>\$10,878,085</u>	<u>\$30,534,672</u>	<u>\$29,323,504</u>	<u>\$41,389,884</u>	<u>\$40,201,589</u>

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of Newton, assets exceeded liabilities by \$41,389,884 for the fiscal year ended June 30, 2009. However, the largest portion of the City of Newton's net assets (85.71%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt that was still outstanding. The City of Newton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newton's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Newton's net assets, \$159,091, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,757,503 is unrestricted.

At the end of the current fiscal year, the City of Newton is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.

Financial Indicators and Ratios

The following financial indicators and ratios can be used to assist the reader in assessing the financial strength of the City of Newton. When used in conjunction with other financial information contained in this report, the City's financial strength becomes apparent.

Working Capital - is the difference between current assets and current liabilities. Sources of working capital are income from operating activities, sales of non-current assets or the issuance of long-term debt. Uses of working capital include losses from operating activities, purchase of non-current assets or retirement of long-term debt. The working capital of the City of Newton is \$6,578,865, which consists of \$4,266,033 from governmental activities and \$2,312,832 from business-type activities. Working capital increased by \$1,775,828 from the prior year.

Current Ratio - is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations, and is expressed as current assets divided by current liabilities. The City of Newton's current ratio is 2.1 on a city-wide basis, 3.5 for governmental activities and 1.5 for business-type activities. More simply stated the City has \$2.10 of current assets for each \$1.00 of current liabilities on a city-wide basis. The current ratio increased .40 from the prior year.

Acid Test or Quick Ratio - relates total current liabilities to cash, marketable securities and accounts receivable, "quick assets". This is an additional short-term liquidity measure providing an additional comparison with the current ratio. This is also expressed on a coverage basis. The City of Newton's quick ratio is 2.0 on a city-wide basis, 3.5 for governmental activities and 1.4 for business-type activities. Or, more simply stated the City has \$2.00 of "quick assets" for each \$1.00 of current liabilities on a city-wide basis. The quick ratio increased .40 from the prior year.

Days Cash and Investments in Reserve - represents the number of days that normal operations of the City of Newton could continue with no revenue collections. The results of this ratio indicate that the City of Newton could operate 70 days on a city-wide basis, 170 days for governmental activities and 11 days for business-type activities. The days cash and investments in reserve decreased by 12 days from the prior year.

Total Liabilities to Net Assets - this ratio, expressed as a percentage, compares the total obligations (liabilities) of the City of Newton to current equity (net assets). It represents the extent to which borrowing has been used to finance short-term operations. Total liabilities to net assets for the City of Newton is 64.0% on a city-wide basis, 54.2% for governmental activities and 67.4% for business-type activities. The total liabilities to net assets increased 2.1% from the prior year.

Total Liabilities to Total Assets - this ratio compares the total obligations of the City of Newton to total assets. It is an indicator of the level of borrowing that has been used to finance operations of the City on a long-term basis. Total liabilities to total assets for the City of Newton is 39.0% on a city-wide basis, 35.1% for governmental activities, and 39.0% for business-type activities. Total liabilities to total assets increased 0.8% from the prior year.

Non-Current Liabilities to Total Assets - this ratio compares the long-term debt of the City of Newton to total assets. It is another indicator of the long-term financial strength of the City. Non-current liabilities to total assets for the City of Newton is 30.1% on a city-wide basis, 24.9% for governmental activities and 31.8% for business-type activities. Non-current liabilities to total assets increased 2.3% from the prior year.

Days Receivable - represents the number of days on average it took to collect accounts receivable. This number demonstrates the extent to which current operations are impacted by the collection of accounts receivable. This ratio is provided only for the business-type activities of the City of Newton, which consists primarily of utility accounts. Days receivable for business-type activities is 52 days for the City of Newton. Days receivable increased 7 days from the prior year.

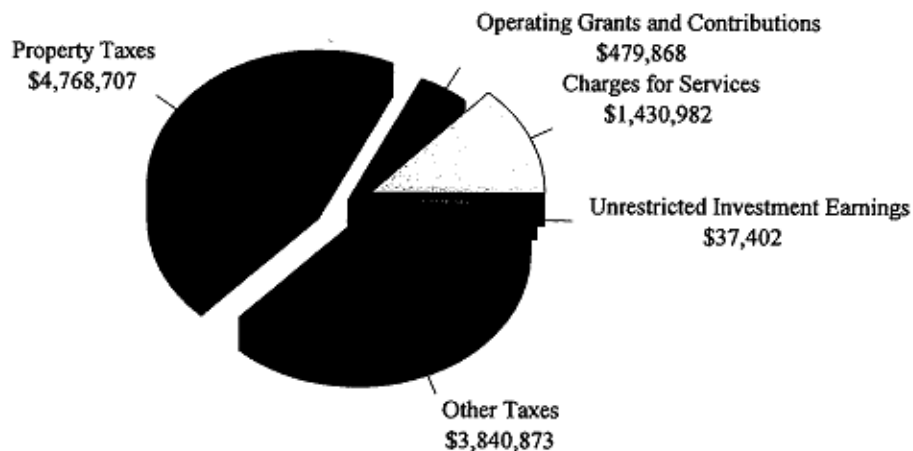
Changes in Net Assets

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,430,982	\$ 1,239,351	\$ 16,890,683	\$ 15,757,039	\$18,321,665	\$16,996,390
Operating grants and contributions	479,868	477,979	-	-	479,868	477,979
Capital grants and contributions	31,508	13,938	1,179,515	2,050,276	1,211,023	2,064,214
General revenues:						
Property taxes	4,768,707	4,472,139	-	-	4,768,707	4,472,139
Other taxes	3,840,873	4,047,096	285,311	293,824	4,126,184	4,340,920
Unrestricted investment earnings	37,402	144,014	20,600	91,899	58,002	235,913
Other	173,943	(16,610)	354,628	363,383	528,571	346,773
Total revenues	<u>10,763,283</u>	<u>10,377,907</u>	<u>18,730,737</u>	<u>18,556,421</u>	<u>29,494,020</u>	<u>28,934,328</u>
Expenses:						
General government	1,678,411	1,661,543	-	-	1,678,411	1,661,543
Public safety	4,982,326	4,714,227	-	-	4,982,326	4,714,227
Transportation	1,004,258	976,990	-	-	1,004,258	976,990
Environmental protection	935,190	901,985	-	-	935,190	901,985
Culture and recreation	1,526,225	1,451,556	-	-	1,526,225	1,451,556
Economic development	271,659	3,000	-	-	271,659	3,000
Operations	-	-	16,941,601	16,658,880	16,941,601	16,658,880
Interest on long-term debt:						
Governmental	173,087	170,515	-	-	173,087	170,515
Water and wastewater	-	-	510,729	478,898	510,729	478,898
Electric	-	-	282,239	311,491	282,239	311,491
Total expenses	<u>10,571,158</u>	<u>9,879,818</u>	<u>17,734,569</u>	<u>17,449,269</u>	<u>28,305,725</u>	<u>27,329,085</u>
Increase (decrease) in net assets before transfers	192,125	498,089	996,168	1,107,152	1,188,293	1,605,241
Transfers	<u>(215,000)</u>	<u>(143,500)</u>	<u>215,000</u>	<u>143,500</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(22,873)	354,589	1,211,168	1,250,654	1,188,295	1,605,243
Net assets - July 1	<u>10,878,085</u>	<u>10,523,496</u>	<u>29,323,504</u>	<u>28,072,850</u>	<u>40,201,589</u>	<u>38,596,346</u>
Net assets - June 30	<u>\$10,855,212</u>	<u>\$10,878,085</u>	<u>\$ 30,534,672</u>	<u>\$ 29,323,504</u>	<u>\$41,389,884</u>	<u>\$40,201,589</u>

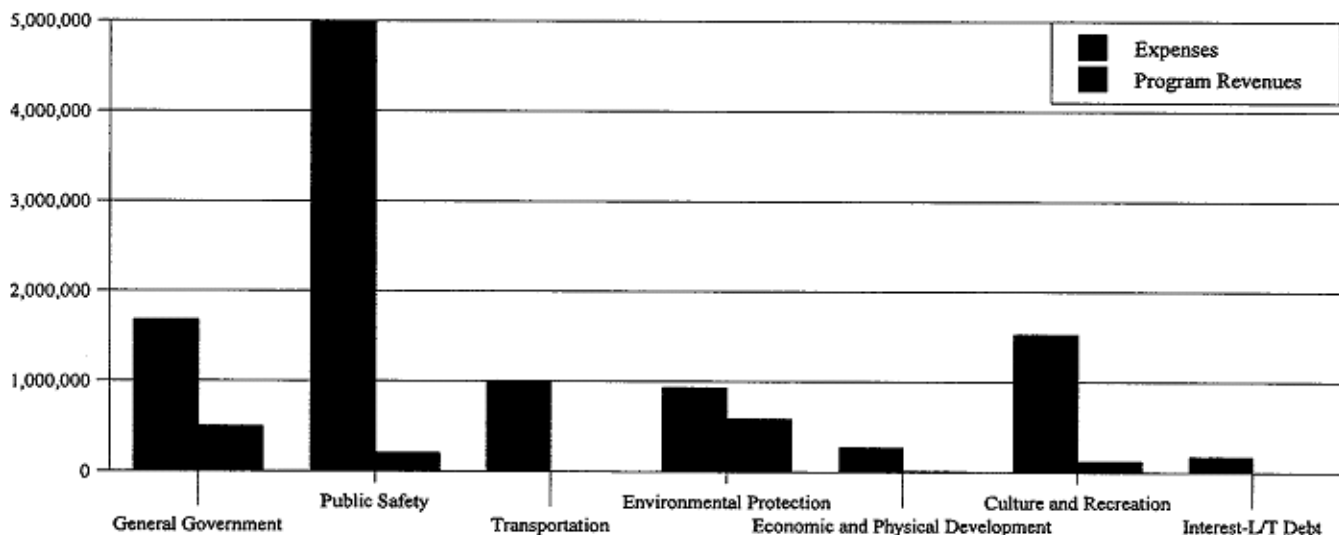
Governmental Activities. Governmental activities decreased the City of Newton's net assets by \$22,873, thereby accounting for (1.9%) of the total growth in the net assets of the City of Newton.

Key elements of this decrease are as follows:

- Local option sales tax decreased by approximately \$262,000.
- Other taxes decreased by approximately \$233,568.
- Property taxes increased by approximately \$297,000.



Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities

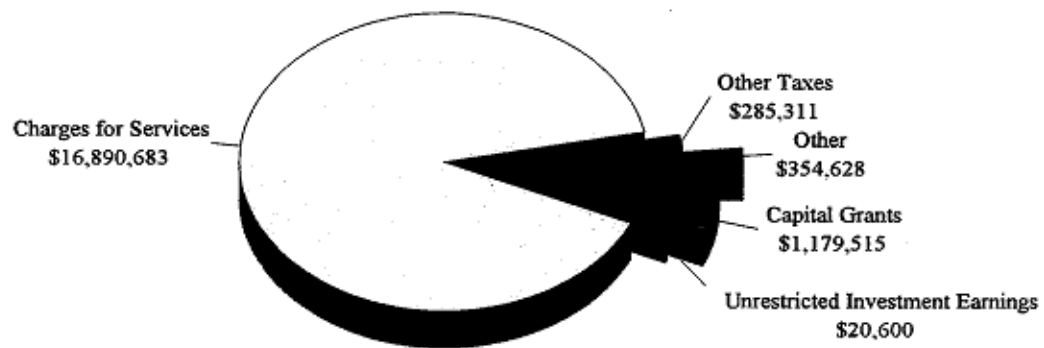
Increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type Activities. Business-type activities increased the City of Newton's net assets by \$1,211,168, accounting for a 101.9% increase of the total growth in the net assets of the City.

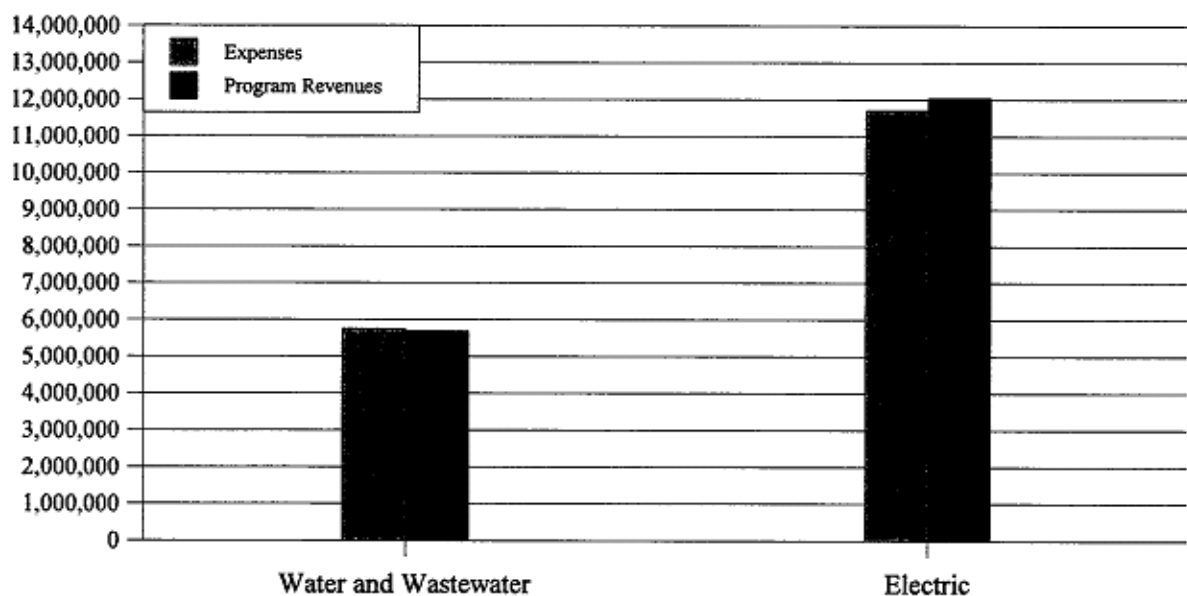
The key element of this increase is as follows.

- Increase in charges for services of approximately \$1,133,600.

Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Funds

As noted earlier, the City of Newton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government Funds. The focus of the City of Newton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Newton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Newton's governmental funds reported combined ending fund balances of \$4,379,547, a decrease of \$980,146 in comparison with the prior year. Of this total amount, \$3,575,491 constitutes unreserved fund balance, which is available for spending at the city's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period of \$11,018, 2) reserved as required by North Carolina General Statute 159-8(a) of \$569,148 or 3) for a variety of other purposes consisting of \$223,890.

The general fund is the chief operating fund of the City of Newton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,017,587, while total fund balance was \$3,821,643. As a measure of the fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.7% of total general fund expenditures, while total fund balance represents 33.8% of that same amount.

The fund balance of the City of Newton's General Fund decreased by \$290,077, during the current fiscal year.

Key factors in this decrease are as follows:

- Ad Valorem taxes increased by \$339,600.
- Other taxes and licenses decreased by approximately \$233,600.
- Public safety expenditures increased by approximately \$578,000.
- Environmental protection expenditures increased by approximately \$358,000.
- Debt service increased by approximately \$263,000.

Proprietary Funds. The City of Newton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Wastewater Fund at the end of the fiscal year amounted to \$1,267,923, and those for the Electric Fund amounted to \$202,601. The total change in net assets for both funds was \$1,037,826 and \$123,773, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Newton's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories; 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments adopted during the year added \$1,057,800 to the budget primarily for capital projects.

General Fund revenues were more than budgeted by \$241,198, a 2.33% variance from the final budget. Sales tax distributions and investment earnings were \$236,353 and \$69,248 respectively, less than budget due to economic declines during the year. Ad valorem taxes exceeded the budget by \$389,318. All other General Fund revenues were comparable to the budgeted estimates.

General Fund expenditures were under budget by \$663,354, a variance of 5.54% from the final budget. All departments were conservative in their spending, considering the uncertainty of the economy. The most significant savings of \$196,495 were realized due to controlled spending implemented mid-year to offset anticipated revenue shortfalls contributed to a declining economy. Savings also resulted for money appropriated for a new software project for Human Resources, Finance and Utility Billing that was only partially complete at fiscal year end. \$187,750 was unspent and re-appropriated to Fiscal Year 2010.

Capital Assets and Debt Administration

Capital Assets. The City of Newton's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to \$55,237,801 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges

Major capital asset events during the current fiscal year included the following:

- The General Fund included additions of \$1,796,485 to capital assets during the fiscal year, which included vehicles, equipment and infrastructure.
- The Water and Wastewater Fund included additions of \$1,051,375 to capital assets during the fiscal year, which included \$681,101 for Target Distribution Center Water/Sewer Infrastructure.
- The Electric Fund included additions of \$2,178,813 to capital assets during the fiscal year, which included \$1,698,689 for Jacob Fork Park delivery sub station.

City of Newton's Capital Assets
(Net of Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,984,609	\$1,967,509	\$ 215,332	\$ 215,332	\$ 2,199,941	\$ 2,182,841
Buildings and improvements	2,000,045	1,198,910	8,952,269	9,569,160	10,952,314	10,768,070
Distribution systems	470,068	488,115	27,408,100	27,938,874	27,878,169	28,426,989
Public domain infrastructure	2,386,445	1,916,295	-	-	2,386,445	1,916,295
Vehicles and equipment	1,537,132	1,216,079	3,313,072	3,503,819	4,850,204	4,719,899
Construction in progress	<u>2,372,702</u>	<u>3,026,802</u>	<u>4,598,028</u>	<u>2,482,167</u>	<u>6,970,729</u>	<u>5,508,969</u>
Total	<u>\$10,751,001</u>	<u>\$9,813,711</u>	<u>\$44,486,800</u>	<u>\$43,709,352</u>	<u>\$55,237,801</u>	<u>\$53,523,063</u>

Additional information on the City of Newton's capital assets can be found in Note III on pages 44-46 of this report.

Long-term debt. As of June 30, 2009, the City of Newton had total bonded debt outstanding of \$985,000. Of this amount, \$985,000 is debt backed by the full faith and credit of the City. Gross debt obligations of the City are \$23,002,823 as of June 30, 2009. Gross debt consists of general obligation bonds of \$985,000 and notes payable of \$22,017,823.

City of Newton's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Accrued law enforcement officers' unfunded retirement contribution	\$ 301,553	\$ 330,977	\$ -	\$ -	\$ 301,553	\$ 330,977
Compensated absences	379,837	366,560	117,243	117,897	497,080	484,457
Other post-employment benefits	90,882	-	43,287	-	134,169	-
General obligation bonds	50,329	74,088	934,671	1,375,912	985,000	1,450,000
Loans payable	<u>4,268,268</u>	<u>4,214,217</u>	<u>17,749,555</u>	<u>14,856,831</u>	<u>22,017,823</u>	<u>19,071,048</u>
Total	<u>\$5,090,869</u>	<u>\$4,985,842</u>	<u>\$18,844,755</u>	<u>\$16,350,640</u>	<u>\$23,935,625</u>	<u>\$21,336,483</u>

City of Newton's Outstanding Debt

The City of Newton's total debt increased by \$2,481,775 or 12.1% due to new debt acquired during fiscal year 2008-2009 in the amount of \$4.9 million and \$2.4 million reduction of existing debt due to principal payments. New debt resulted from an installment purchase agreement for water and wastewater infrastructure improvements (\$1.7 million) and electric delivery/distribution system improvements (\$2.9 million).

The City's sound financial condition is evidenced by Standard and Poor's Corporation rating which was upgraded during the fiscal year to A+ and the continuance of the A1 rating from Moody's Investors Service.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Newton is \$55,018,039.

Additional information regarding the City of Newton's long-term debt can be found in note III.B.7 beginning on page 56 of this report.

Economic Factors and Next Year's Budgets and Rates

As part of the annual budget process, management carefully evaluates current economic conditions. While the economy has been sluggish and slow to respond to efforts to stimulate economic growth, the City's budget continues to be conservative.

The following key issues were considered in developing the fiscal year 2009-2010 budget:

- Uncertainty about the current economy and its impact on the City.
- Potential impacts on the City as a result of the State's budget.
- Reduction in sales tax revenues.
- Employee Health Insurance.
- Maintaining the highest level of services to our citizens and customers while operating on a very conservative budget.

The fiscal year 2009-2010 budget was balanced without a property tax rate increase and without service reductions. The budget maintains the City's high level of services as in prior years at a prudent cost to our citizens and utility customers. The property tax rate remains at 48 cents per \$100 of assessed value; and, there is no growth anticipated in property tax values, with the exception of the addition of the Target Distribution Center. The revenue distributed to the City of Newton for sales tax is expected to decline for fiscal year 2009-2010 as a result of the economy. Revenue from other sources in the General Fund is expected to remain at or below the same level as in fiscal year 2009. Powell Bill Revenues are funded in part by the State's tax on motor fuels. This source of revenue is expected to be down by approximately 11% as a result of the sharp decline in motor vehicle miles traveled by the public.

Water and wastewater rates were increased by 20% to maintain ongoing operations. Electric rates were increased by 4% to residential, commercial and coincident peak customers and 3% to industrial customers, due to 5% increase in wholesale rates from the North Carolina Municipal Power Agency.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be addressed to the City of Newton, Office of the Finance Director, P.O. Box 550, Newton, NC 28658.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 1

Statement of Net Assets June 30, 2009

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and short-term investments	\$ 4,915,613	\$ 519,429	\$ 5,435,042
Taxes receivable, net	461,041	-	461,041
Accounts receivable, net	485,000	2,306,699	2,791,699
Interest receivable	612	444	1,056
Due from other governmental agencies	105,792	-	105,792
Internal balances	(150,017)	150,017	-
Inventories	38,478	605,530	644,008
Restricted cash and cash equivalents	126,755	3,056,742	3,183,497
Total current assets	<u>5,983,275</u>	<u>6,638,860</u>	<u>12,622,135</u>
Capital assets:			
Land, non-depreciable assets and construction in progress	4,357,311	4,813,360	9,170,670
Other capital assets, net of depreciation	6,393,690	39,673,441	46,067,131
Total capital assets	<u>10,751,001</u>	<u>44,486,800</u>	<u>55,237,801</u>
Total assets	<u>\$ 16,734,276</u>	<u>\$ 51,125,661</u>	<u>\$ 67,859,936</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	\$ 748,791	\$ 1,557,843	\$ 2,306,633
Due to other governmental agencies	-	27,870	27,870
Customer deposits	-	215,336	215,336
Compensated absences	180,389	75,100	255,489
Unearned revenues	39,404	-	39,404
Current portion of long-term liabilities	748,659	2,449,880	3,198,538
Total current liabilities	<u>1,717,242</u>	<u>4,326,028</u>	<u>6,043,270</u>
Long-term liabilities:			
Due in more than one year	4,161,822	16,264,961	20,426,783
Total liabilities	<u>5,879,064</u>	<u>20,590,989</u>	<u>26,470,053</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	6,559,160	28,914,131	35,473,290
Restricted for:			
Powell Bill	86,453	-	86,453
Federal asset seizure	72,638	-	72,638
Unrestricted	4,136,962	1,620,541	5,757,503
Total net assets	<u>\$ 10,855,212</u>	<u>\$ 30,534,672</u>	<u>\$ 41,389,884</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 2

Statement of Activities For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
General government	\$ 1,678,411	\$ 499,368	\$ -	\$ -	\$ (1,179,043)	\$ -
Public safety	4,982,326	205,268	46,212	-	(4,730,846)	-
Transportation	1,004,258	4,514	433,656	-	(566,088)	-
Environmental protection	935,190	587,051	-	-	(348,139)	-
Cultural and recreational	1,526,225	119,893	-	-	(1,406,332)	-
Economic and physical development	271,659	14,889	-	31,508	(225,263)	-
Interest on long-term debt	173,087	-	-	-	(173,087)	-
Total governmental activities	10,571,155	1,430,982	479,868	31,508	(8,628,797)	-
Business-type activities:						
Water and Wastewater	5,695,133	5,094,620	-	1,179,515	-	579,002
Electric	12,039,436	11,796,063	-	-	-	(243,374)
Total business-type activities	17,734,569	16,890,683	-	1,179,515	-	335,628
Total	\$ 28,305,725	\$ 18,321,665	\$ 479,868	\$ 1,211,023	(8,628,797)	(8,293,169)
General revenues:						
Taxes:						
Property taxes					4,768,707	-
Local option sales tax					2,717,347	-
Franchise tax					768,977	-
Other taxes					354,549	285,311
Unrestricted investment earnings					37,402	20,600
Miscellaneous					173,943	354,628
Transfers					(215,000)	215,000
Total general revenues, special items and transfers					8,605,925	875,540
Change in net assets					(22,873)	1,211,168
Net assets - beginning					10,878,085	29,323,504
Net assets - ending					\$ 10,855,212	\$ 30,534,672
						\$ 41,389,884

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2009**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Assets</u>			
Cash and short-term investments	\$ 3,325,574	\$ 630,919	\$ 3,956,493
Taxes receivable, net	461,041	-	461,041
Accounts receivable, net	485,000	-	485,000
Interest receivable	551	-	551
Due from other governmental agencies	83,597	22,196	105,792
Inventories	38,478	-	38,478
Restricted cash and cash equivalents	126,755	-	126,755
Total assets	<u>\$ 4,520,996</u>	<u>\$ 653,115</u>	<u>\$ 5,174,111</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and other current liabilities	\$ 198,909	\$ 95,211	\$ 294,120
Unearned revenue	39,404	-	39,404
Deferred revenue	461,041	-	461,041
Total liabilities	<u>699,354</u>	<u>95,211</u>	<u>794,564</u>
Fund balances:			
Reserved for:			
State statute	569,148	-	569,148
Inventories	38,478	-	38,478
Encumbrances	11,018	-	11,018
Streets - Powell Bill	86,453	-	86,453
Open space fees	11,321	-	11,321
Perpetual Care	15,000	-	15,000
Federal asset seizure	72,638	-	72,638
Unreserved, reported in:			
General Fund - designated for subsequent year	323,250	-	323,250
General Fund - undesignated	2,694,337	-	2,694,337
Capital Project Funds	-	562,662	562,662
Special Revenue Fund	-	(4,758)	(4,758)
Total fund balances	<u>3,821,643</u>	<u>557,904</u>	<u>4,379,547</u>
Total liabilities and fund balances	<u>\$ 4,520,996</u>	<u>\$ 653,115</u>	<u>\$ 5,174,111</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 4

Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2009

Total governmental fund balances

Amounts reported for governmental activities in the
statement of net assets are different because: \$ 4,379,547

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in the funds. 10,751,001

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds.
Deferred revenues 461,041

Internal service funds are used by management to charge the costs of
certain activities, such as insurance, to individual funds.
The assets and liabilities of the internal service fund is
included in governmental activities in the statement of activities. 488,115

Long-term liabilities, including bonds payable, are not due and payable
in the current period, and therefore, are not reported in the funds.
Accrued interest on long-term debt (133,623)
Long-term debt (4,318,597)
Compensated absences (379,837)
Other postemployment benefits (90,882)
Law enforcement officers' separation allowance (301,553)

Net assets of governmental activities \$ 10,855,211

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009**

	Major Fund General Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 4,778,068	\$ -	\$ 4,778,068
Other taxes and licenses	3,078,204	-	3,078,204
Unrestricted intergovernmental revenues	1,191,910	-	1,191,910
Restricted intergovernmental revenues	498,849	14,229	513,078
Permits and fees	93,689	-	93,689
Sales and services	695,115	-	695,115
Investment earnings	37,402	179	37,581
Other revenues	219,541	-	219,541
Total revenues	<u>10,592,778</u>	<u>14,408</u>	<u>10,607,185</u>
Expenditures:			
Current:			
General government	1,509,016	-	1,509,016
Public safety	4,613,889	-	4,613,889
Transportation	893,155	-	893,155
Environmental protection	848,560	-	848,560
Cultural and recreational	1,480,708	-	1,480,708
Economic and physical development	-	920,126	920,126
Capital outlay	1,002,279	-	1,002,279
Debt service:			
Principal retirement	792,708	-	792,708
Interest and fees	161,982	-	161,982
Total expenditures	<u>11,302,296</u>	<u>920,126</u>	<u>12,222,422</u>
Revenues over (under) expenditures	<u>(709,518)</u>	<u>(905,718)</u>	<u>(1,615,237)</u>
Other Financing Sources (Uses):			
Issuance of debt	823,000	-	823,000
Other miscellaneous receipts	57,626	-	57,626
Transfers - in	-	215,650	215,650
Transfers - out	<u>(430,650)</u>	<u>-</u>	<u>(430,650)</u>
Total other financing sources (uses)	<u>449,976</u>	<u>215,650</u>	<u>665,626</u>
Net change in fund balances	<u>(259,541)</u>	<u>(690,068)</u>	<u>(949,611)</u>
 Fund balances, July 1	 4,111,721	 1,247,972	 5,359,693
Increase (decrease) in reserve for inventory	<u>(30,536)</u>	<u>-</u>	<u>(30,536)</u>
 Fund balances, June 30	 <u>\$ 3,821,643</u>	 <u>\$ 557,904</u>	 <u>\$ 4,379,545</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA**Exhibit 6**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (949,611)
Change in fund balance due to change in reserve for inventory	(30,536)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	1,796,485
Adjustment to capital outlay	(142,224)
Depreciation expense	(675,810)
Gain (loss) on sale of assets	16,468
Proceeds from sale of assets	(57,626)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues	(9,362)
---	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(823,000)
Accrued interest on long-term debt	(11,106)
Principal payments	792,708

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(13,277)
Other postemployment benefits	(90,882)
Net pension obligation	29,424

Net revenue of the internal service fund determined to be governmental activities	<u>145,476</u>
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Total changes in net assets of governmental activities	<u>\$ (22,873)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 7

**General Fund
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
For the Year Ended June 30, 2009**

	General Fund			Variance with Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues:				
Ad valorem taxes	\$ 4,388,750	\$ 4,388,750	\$ 4,778,068	\$ 389,318
Other taxes and licenses	3,308,250	3,308,250	3,078,204	(230,046)
Unrestricted intergovernmental revenues	1,098,800	1,148,850	1,191,910	43,060
Restricted intergovernmental revenues	451,250	451,250	498,849	47,599
Permits and fees	85,500	85,500	93,689	8,189
Sales and services	761,800	708,980	695,115	(13,865)
Investment earnings	106,650	106,650	37,402	(69,248)
Other revenues	149,250	153,350	219,541	66,191
Total revenues	<u>10,350,250</u>	<u>10,351,580</u>	<u>10,592,778</u>	<u>241,198</u>
Expenditures:				
Current:				
General government	1,892,300	2,032,561	1,657,337	375,224
Public safety	5,076,800	5,249,316	5,129,009	120,307
Transportation	949,200	955,097	893,155	61,942
Environmental protection	1,055,950	1,247,737	1,178,078	69,659
Cultural and recreational	1,507,050	1,528,389	1,490,028	38,361
Debt service:				
Principal retirement	804,700	789,800	792,708	(2,908)
Interest and fees	162,750	162,750	161,982	768
Total expenditures	<u>11,448,750</u>	<u>11,965,650</u>	<u>11,302,297</u>	<u>663,354</u>
Revenues over (under) expenditures	<u>(1,098,500)</u>	<u>(1,614,070)</u>	<u>(709,519)</u>	<u>904,552</u>
Other Financing Sources (Uses):				
Appropriated fund balance	275,500	1,331,970	-	(1,331,970)
Issuance of debt	823,000	823,000	823,000	-
Sale of capital assets	-	-	57,626	57,626
Transfers - out	-	(540,900)	(430,650)	110,250
Total other financing sources (uses)	<u>1,098,500</u>	<u>1,614,070</u>	<u>449,976</u>	<u>(1,164,094)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(259,541)</u>	<u>\$ (259,541)</u>
Fund balance, July 1			4,111,722	
Increase (decrease) in reserve for inventory			<u>(30,536)</u>	
Fund balance, June 30			<u>\$ 3,821,643</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 8
Page 1 of 2

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities			
	Enterprise Funds			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 651,162	\$ (131,733)	\$ 519,429	\$ 959,119
Accounts receivable, net	1,251,181	1,055,518	2,306,699	-
Interest receivable	272	172	444	62
Inventories	88,491	517,039	605,530	-
Restricted cash and cash equivalents	1,249,793	1,806,949	3,056,742	-
Total current assets	3,240,898	3,247,945	6,488,843	959,181
Capital assets:				
Land and improvements	210,332	5,000	215,332	-
Buildings and improvements	21,740,094	500,567	22,240,661	-
Distribution systems	32,686,989	8,520,211	41,207,200	-
Furniture and maintenance equipment	917,415	4,585,967	5,503,382	-
Vehicles	493,271	685,402	1,178,673	-
Construction in progress	1,480,713	3,117,315	4,598,028	-
Less accumulated depreciation	(23,565,504)	(6,890,970)	(30,456,474)	-
Capital assets, net	33,963,309	10,523,491	44,486,800	-
Total assets	\$ 37,204,208	\$ 13,771,436	\$ 50,975,644	\$ 959,181

cont.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 8, cont.
Page 2 of 2

**Statement of Net Assets
Proprietary Funds
June 30, 2009**

	Business-type Activities Enterprise Funds			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Total	
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 516,359	\$ 1,041,484	\$ 1,557,843	\$ 321,048
Due to other government	27,870	-	27,870	-
Customer deposits	55,489	159,847	215,336	-
Accrued compensated absences	54,283	20,817	75,100	-
General obligation bonds payable - current	431,752	-	431,752	-
Loans payable - current	<u>1,306,600</u>	<u>711,528</u>	<u>2,018,128</u>	<u>-</u>
Total current liabilities	2,392,353	1,933,675	4,326,028	321,048
Noncurrent liabilities:				
Accrued compensated absences	33,014	9,129	42,143	-
Other postemployment benefits	36,168	7,119	43,287	-
General obligation bonds payable	448,105	-	448,105	-
Loans payable	<u>8,963,494</u>	<u>6,767,932</u>	<u>15,731,427</u>	<u>-</u>
Total liabilities	<u>11,873,133</u>	<u>8,717,856</u>	<u>20,590,989</u>	<u>321,048</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	24,063,152	4,850,979	28,914,131	-
Unrestricted	<u>1,267,923</u>	<u>202,601</u>	<u>1,470,524</u>	<u>638,133</u>
Total net assets	<u>\$ 25,331,074</u>	<u>\$ 5,053,580</u>	30,384,655	<u>\$ 638,133</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>150,017</u>	
Net assets of business-type activities			<u>\$ 30,534,672</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 9

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds For the Year Ended June 30, 2009

	Business-type Activities			
	Enterprise Funds			
	Water and Wastewater Fund	Electric Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 4,832,233	\$ 11,233,483	\$ 16,065,716	\$ 1,498,263
Other operating revenues	490,937	639,088	1,130,025	-
Total operating revenues	5,323,170	11,872,571	17,195,741	1,498,263
Operating Expenses:				
Power for resale	-	8,389,332	8,389,332	-
Operations	2,286,765	1,822,254	4,109,019	1,310,418
Maintenance	898,860	-	898,860	-
Administration	476,450	1,000,000	1,476,450	-
Depreciation	1,529,198	545,612	2,074,810	-
Total operating expenses	5,191,273	11,757,197	16,948,470	1,310,418
Operating income (loss)	131,898	115,374	247,271	187,845
Nonoperating Revenues (Expenses):				
Sales tax	-	285,311	285,311	-
Investment earnings	15,274	5,326	20,600	7,201
Interest expense	(510,729)	(282,239)	(792,967)	-
Gain (loss) on disposal of capital assets	6,868	-	6,868	-
Nonoperating revenues (expenses), net	(488,586)	8,399	(480,187)	7,201
Income (loss) before transfers and capital contributions	(356,689)	123,773	(232,916)	195,045
Transfers (to) from other funds:				
General Fund	215,000	-	215,000	-
Grant income from Water and Wastewater Capital Projects	1,136,054	-	1,136,054	-
Capital contributions	43,461	-	43,461	-
Change in net assets	1,037,826	123,773	1,161,598	195,045
Total net assets - beginning	24,293,249	4,929,808		443,088
Total net assets - ending	\$ 25,331,074	\$ 5,053,580		\$ 638,133
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			49,570	
Change in net assets-business type activities			\$ 1,211,168	

The notes to the financial statements are an integral part of this statement.

CITY OF NEWTON, NORTH CAROLINA

**Exhibit 10
Page 1 of 2**

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009**

	Business-type Activities Enterprise Funds			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Totals	
Cash Flows From Operating Activities:				
Cash received from customers and users	\$ 4,964,123	\$ 11,808,811	\$ 16,772,934	\$ 1,498,263
Cash paid for goods and services	(2,709,250)	(10,554,809)	(13,264,059)	(1,240,333)
Cash paid to or on behalf of employees for services	(1,530,713)	(688,322)	(2,219,035)	-
Net cash provided by (used in) operating activities	724,160	565,680	1,289,840	257,930
Cash Flows From Non-Capital Financing Activities:				
Transfers - in (out)	215,000	-	215,000	-
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,007,914)	(2,178,813)	(3,186,727)	-
Grant revenues	1,136,054	-	1,136,054	-
Proceeds from sale of capital assets	6,868	-	6,868	-
Sales tax	-	285,311	285,311	-
Payments of general obligation bonds and loans payable	(1,640,036)	(500,481)	(2,140,517)	-
Interest paid on general obligation bonds and loans payable	(468,238)	(244,489)	(712,727)	-
Proceeds from issuance of general obligation bonds and loans payable	1,692,000	2,900,000	4,592,000	-
Net cash provided by (used in) capital and related financing activities	(281,266)	261,528	(19,738)	-
Cash Flows From Investing Activities:				
Interest on investments	15,682	5,269	20,951	7,540
Net increase (decrease) in cash and cash equivalents	673,576	832,477	1,506,053	265,470
Cash and cash equivalents at beginning of year	1,227,379	842,739	2,070,118	693,649
Cash and cash equivalents at end of year	\$ 1,900,955	\$ 1,675,216	\$ 3,576,171	\$ 959,119

cont.

CITY OF NEWTON, NORTH CAROLINA

Exhibit 10, cont.
Page 2 of 2

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009**

	Business-type Activities Enterprise Funds			Internal Service Fund
	Water and Wastewater Fund	Electric Fund	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) in Operating Activities:				
Operating income (loss)	\$ 131,898	\$ 115,374	\$ 247,272	\$ 187,845
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,529,198	545,612	2,074,810	-
Change in assets and liabilities:				
Accounts and interest receivable	(356,462)	(63,760)	(420,222)	-
Due to (from) other governmental agencies	(40,677)	-	(40,677)	-
Inventories	1,789	(13,661)	(11,872)	-
Accounts payable/accrued expenses	(575,911)	(21,057)	(596,968)	70,085
Customer deposits	(2,585)	(2,550)	(5,135)	-
Other post retirement benefits	36,167	7,119	43,286	-
Accrued vacation pay	743	(1,397)	(654)	-
Net cash provided by (used in) operating activities	\$ 724,160	\$ 565,680	\$ 1,289,840	\$ 257,930
Supplemental Schedule of Non Cash Financing Activities:				
Amortization of discount on refunded debt	\$ 358	\$ -	\$ 358	\$ -
Amortization of loss on refunded debt	\$ 18,989	\$ -	\$ 18,989	\$ -
Reduction of capital assets through accounts payable	\$ 377,930	\$ -	\$ 377,930	\$ -
Acquisition of capital assets through contribution of capital	\$ 43,461	\$ -	\$ 43,461	\$ -

The notes to the financial statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.



CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

I. Summary of Significant Accounting Policies

The accounting policies of the City of Newton conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Newton is a municipal corporation that is governed by an elected mayor and a six-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. However, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expense and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from nonexchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2009

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The City reports the following non-major governmental funds:

Special Revenue Fund - This fund is used to account for grant funds that are restricted for a particular purpose.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major capital facilities (other than these financed by enterprise funds).

The City reports the following major enterprise funds:

Electric Fund - This Fund is used to account for the City's electric fund operations.

Water and Wastewater Fund - This fund is used to account for the City's water and wastewater operations.

The City reports the following fund type:

Internal Service Fund - The Health Insurance Fund is used to account for the payment of medical claims of the City's employees and their covered dependents.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Wastewater Fund and Electric Fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Catawba County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Newton. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Catawba County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as utility franchise tax, collected and held by the State at year end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Enterprise Funds and the Internal Service Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Funds, Special Revenue Fund and the Enterprise Fund Capital Projects Funds which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until annual ordinance can be adopted. Budget transfers are approved by the City Council as follows:

- (1) The Director of Finance is hereby authorized to approve transfers of appropriations between line items within a division budget.
- (2) In accordance with G.S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by Resolution of the City Council. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the City Council at its next meeting.
- (3) The City Manager is hereby authorized to approve budget transfers within a department from one division to another.
- (4) Transfers from one fund to another shall not be allowed except as is authorized by the Budget and Fiscal Control Act and such transfers shall be approved by the City Council prior to transfer.
- (5) All transfers as authorized hereinabove shall be reported monthly to the City Council and included in the minutes of the Board.
- (6) The Director of Finance shall prepare forms necessary to document each budget transfer and comply with the reporting of the budget transfers as specified hereinabove.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2009

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended loan proceeds of the General Fund and Enterprise Fund are classified as restricted assets because their use is completely restricted to the purpose for which the financing was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. Liens are placed on these taxes as of March 1 each year. These taxes are based on the assessed values as of January 1, 2008.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the City are valued at cost (on a moving average basis), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventory of the City's enterprise funds consists of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2009

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	50
Buildings and improvements	50
Vehicles and equipment	5
Distribution system - electric	30
Distribution system - water and wastewater	40

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policy of the City provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the City, the current portion of the accumulated vacation pay is not considered to be material.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2009

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balance as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for open space fees - portion of fund balance available to pay for recreational needs.

Reserved for Perpetual Care - portion of fund balance available to pay for perpetual care to South Side Cemetery.

Reserved for Federal Asset Seizure - portion of fund balance that is legally segregated for drug enforcement.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

During our examination, we found several instances of noncompliance with North Carolina General Statutes 159-8(a) regarding excess expenditures over appropriations.

2. Contractual Violations

During our examination, we found no instance of contractual violations.

B. Excess Expenditures Over Appropriations

For the fiscal year ended June 30, 2009, the expenditures made in the City's General Fund, Water and Wastewater Fund, and the Electric Fund exceeded the authorized appropriations made by the governing board as follows:

General Fund:	
Debt service - principal retirement	\$ 2,140
Water and Wastewater Fund:	
Debt principal	20,036
Interest expense	13,583
Electric Fund:	
Debt principal	1,281
Capital outlay	1,480

C. Deficit in Fund Balance or Net Assets of Individual Funds

The following fund had a deficit fund balance:

CDBG Moretz Ind Access Road Special Revenue Fund	\$ 4,397
--	----------

The deficit fund balance will be addressed through transfers and grant funds.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the City's deposits had a carrying amount of \$6,897,673 and a bank balance of \$7,052,091. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2009, the City's petty cash fund totaled \$800.

2. Investments

At June 30, 2009, the City's investments were as follows:

Investment Type	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
North Carolina Cash Management Cash Portfolio	<u>\$1,720,065</u>	N/A	AAAm

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2009

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City purchases certificates of deposit with an average maturity of 120 days. Also, the City purchases certificates of deposit to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The City has no policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in Governmental National Mortgage Association (GNMA) is rated AAA by Standard and Poor's. The City's investment in the NC Capital Management Trust Cash Portfolio carried rating of AAAM by Standard and Poor's as of June 30, 2009.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 37,005
Enterprise Funds:	
Water and Wastewater Fund	9,700
Electric Fund	27,300
Total	37,000
Total	\$ 74,005

4. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Adjustments/ Transfers	Ending Balances
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,967,509	\$ 17,100	\$ -	\$ -	\$ 1,984,609
Construction in progress	3,026,802	915,387	1,427,261	(142,226)	2,372,702
Total capital assets not being depreciated	4,994,311	\$932,487	\$1,427,261	\$(142,226)	4,357,311

CITY OF NEWTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2009**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balances</u>
Governmental Activities (cont):					
Capital assets being depreciated:					
Buildings and improvements	\$ 5,562,296	\$ 891,503	\$ -	\$ -	\$ 6,453,799
Distribution	589,680	-	-	-	589,680
Equipment	1,550,901	9,320	145,714	-	1,414,507
Vehicles	5,377,819	844,638	241,066	-	5,981,390
Infrastructure	<u>3,348,544</u>	<u>545,798</u>	<u>-</u>	<u>-</u>	<u>3,894,342</u>
Total capital assets being depreciated	<u>16,429,241</u>	<u>2,291,259</u>	<u>386,781</u>	<u>-</u>	<u>18,333,719</u>
Less accumulated depreciated for:					
Buildings and improvements	4,363,386	90,368	-	-	4,453,754
Distribution	101,565	18,047	-	-	119,612
Equipment	1,343,628	72,042	145,714	-	1,269,956
Vehicles	4,369,013	419,704	199,908	-	4,588,809
Infrastructure	<u>1,432,249</u>	<u>75,649</u>	<u>-</u>	<u>-</u>	<u>1,507,898</u>
Total accumulated depreciation	<u>11,609,840</u>	<u>\$ 675,810</u>	<u>\$345,623</u>	<u>\$ -</u>	<u>11,940,028</u>
Total capital assets being depreciated, net	<u>4,819,400</u>				<u>6,393,691</u>
Governmental activity capital assets, net	<u>\$ 9,813,711</u>				<u>\$10,751,001</u>

Depreciation expense was charged to functions/programs of the government as follows:

General government	\$ 87,618
Public safety	355,139
Transportation	107,450
Environmental protection	85,615
Cultural and recreational	<u>39,989</u>
Total depreciation expense	<u>\$675,810</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balances</u>
Business-type Activities:					
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	<u>1,406,689</u>	<u>2,089,933</u>	<u>379,308</u>	<u>-</u>	<u>3,117,315</u>
Total capital assets not being depreciated	<u>1,411,689</u>	<u>2,089,933</u>	<u>379,308</u>	<u>-</u>	<u>3,122,315</u>

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balances</u>
Business-type Activities (cont):					
Capital assets being depreciated:					
Buildings and improvements	\$ 500,567	\$ -	\$ -	\$ -	\$ 500,567
Substations, lines, and related equipment	8,140,903	379,308	-	-	8,520,211
Furniture and maintenance equipment	4,502,706	88,880	5,619	-	4,585,967
Vehicles	<u>685,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,402</u>
Total capital assets being depreciated	<u>13,829,577</u>	<u>468,188</u>	<u>5,619</u>	<u>-</u>	<u>14,292,147</u>
Less accumulated depreciation for:					
Buildings and improvements	396,279	9,348	-	-	405,627
Substations, lines, and related equipment	3,908,026	185,181	-	-	4,093,206
Furniture and maintenance equipment	1,493,060	316,849	5,619	-	1,804,290
Vehicles	<u>553,613</u>	<u>34,235</u>	<u>-</u>	<u>-</u>	<u>587,848</u>
Total accumulated depreciation	<u>6,350,978</u>	<u>\$ 545,612</u>	<u>\$ 5,619</u>	<u>\$ -</u>	<u>6,890,970</u>
Total capital assets being depreciated, net	<u>7,478,600</u>				<u>7,401,177</u>
Electric fund capital assets, net	<u>\$ 8,890,290</u>				<u>\$10,523,491</u>
Water and Wastewater Fund:					
Capital assets not being depreciated:					
Land	\$ 210,332	\$ -	\$ -	\$ -	\$ 210,332
Construction in progress	<u>1,075,478</u>	<u>913,755</u>	<u>130,589</u>	<u>(377,930)</u>	<u>1,480,713</u>
Total capital assets not being depreciated	<u>1,285,810</u>	<u>913,755</u>	<u>130,589</u>	<u>(377,930)</u>	<u>1,691,045</u>
Capital assets being depreciated:					
Buildings and improvements	21,740,094	-	-	-	21,740,094
Plant and distribution systems	32,556,400	130,589	-	-	32,686,989
Furniture and maintenance equipment	785,427	137,620	5,633	-	917,415
Vehicles	<u>520,271</u>	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>493,271</u>
Total capital assets being depreciated	<u>55,602,192</u>	<u>268,209</u>	<u>32,633</u>	<u>-</u>	<u>55,837,768</u>
Less accumulated depreciation for:					
Buildings and improvements	12,275,222	607,544	-	-	12,882,765
Plant and distribution systems	8,850,403	855,490	-	-	9,705,893
Furniture and maintenance equipment	499,481	47,291	5,633	-	541,139
Vehicles	<u>443,832</u>	<u>18,874</u>	<u>27,000</u>	<u>-</u>	<u>435,706</u>
Total accumulated depreciation	<u>22,068,938</u>	<u>\$1,529,198</u>	<u>\$ 32,633</u>	<u>\$ -</u>	<u>23,565,504</u>
Total capital assets being depreciated, net	<u>33,533,253</u>				<u>32,272,265</u>
Water and Wastewater Fund capital assets,	<u>\$34,819,063</u>				<u>\$33,963,310</u>
Business-type activities capital assets, net	<u>\$43,709,352</u>				<u>\$44,486,800</u>

CITY OF NEWTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2009**

Construction commitments:

The government has active construction projects as of June 30, 2009. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
CDBG - Moretz Ind. Access Road	\$ 973,537	\$ 37,763
Heritage Trail Greenway	114,811	28,189
Jacobs Fork Park	756,615	20,685
CDBG - ED Target Distribution	1,353,684	161,316
Burris Road Pump Station	80,860	134,140
WWTP Improvements	-	800,000
Target Distribution Center	629,773	82,627
Electric System Distribution	631,828	1,299,223
Jacobs Fork Delivery Station	1,698,689	144,611
Electric Line Ext - Falls Subdivision	<u>63,678</u>	<u>55,372</u>
Total	<u>\$6,303,475</u>	<u>\$2,763,926</u>

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Government Employees' Retirement System**

Plan Description - The City of Newton contributes to the statewide Local Government Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR included financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.37% and 5.31%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Newton is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2009, 2008 and 2007 were \$363,252, \$349,024 and \$343,699, respectively. The contributions made by the City equaled the required contribution for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description - The City of Newton administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>36</u>
Total	<u>43</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting - The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF NEWTON, NORTH CAROLINA**Notes to the Financial Statements
June 30, 2009**

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The amortization method used was the level percent age of pay on a closed basis. The plan has a remaining amortization period of 22 years. The asset valuation method is market value. The actuarial assumption included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5%-12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation - The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 55,205
Interest on net pension obligation	23,996
Adjustment to annual required contribution	<u>(20,235)</u>
Annual pension cost	58,966
Contributions made	<u>88,390</u>
Increase (decrease) in net pension obligation	(29,424)
Net pension obligation beginning of year	<u>330,977</u>
Net pension obligation end of year	<u><u>\$301,553</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$55,618	104.56%	\$354,318
2008	\$57,257	140.76%	\$330,977
2009	\$58,966	149.90%	\$301,553

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$596,166. The covered payroll (annual payroll of active employees covered by the plan) was \$1,331,679, and the ratio of the UAAL to the covered payroll was 44.77%.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$95,759, which consisted of \$68,205 from the City and \$27,554 from the law enforcement officers.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of Newton, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The City recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$7,074. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund, which is paid by the City. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. A separate report was not issued for the Plan.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

e. Other Postemployment Benefits

Health Care Benefits

Plan Description - According to the City of Newton Personnel Policy, the City provides postretirement health care benefits up to age 65 to retirees of the City, provided they meet the retirement qualifications outline by the North Carolina Local Government Employees Retirement System, they are at least 55 years of age, and their last 20 full-time consecutive creditable years of service were with the City. The cost of this coverage for these retirees is not paid by the City. The City pays the full cost of coverage for these benefits for employees who have thirty (30) or more creditable years of service with the City. This benefit will not be offered to any employee hired on or after July 1, 2006. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Currently nine retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2009, the City made payments for post-employment health benefit premiums of \$53,747. The City obtains health care coverage through private insurers. A separate report was not issued for the Plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	124
Active employees-Law Enforcement Officers	<u>29</u>
Total	<u>162</u>

Funding Policy - The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees having 30 or more creditable years of service under a City resolution that can be amended by City Council. The City's members pay the City's group rate for qualified retirees having 20 full-time consecutive creditable years of service. The City's members pay the City's group rates for dependent coverage, if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 3.48% of annual covered payroll. For the current year, the City contributed \$53,747 or 0.94% of annual covered payroll. The City obtains healthcare coverage through private insurers. There were no contributions made by employees, except for dependent coverage. The City's obligation to contribute to HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies - Postemployment expenditures are made from the fund and function level for which the employee retired, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

Annual OPEB Cost and OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 187,916
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	187,916
Contributions made	(53,747)
Increase (decrease) in net OPEB obligation	134,169
Net OPEB obligation, beginning or year	-
Net OPEB obligation, end of year	<u>\$ 134,169</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended	Annual	Percentage of Annual	Net OPEB
<u>June 30</u>	<u>OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Obligation</u>
2009	\$187,916	3.30%	\$134,169

Funded Status and Funding Progress - As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,789,597. The covered payroll (annual payroll of active employees covered by the plan) was \$5,694,669, and the ratio of the UAAL to the covered payroll was 31.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 % investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 % to 5.00 % annually. The investment rate included a 3.75 % inflation assumption. The actuarial value of assets, if any, was determined using the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 28 years.

f. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

2. Deferred/Unearned Revenues

The balance in deferred/unearned revenues at year-end is composed of the following elements:

<u>General Fund</u>	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid assessments not yet earned	\$ -	\$39,404
Taxes receivable, net	<u>461,041</u>	<u>-</u>
Total deferred/unearned revenues	<u>\$461,041</u>	<u>\$39,404</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster for which the City carries commercial insurance. The City has workers' compensation coverage of \$1 million per occurrence, law enforcement officers' liability and public official liability of \$1 million per occurrence, with a \$2 million umbrella policy, auto liability of \$1 million per accident, public entity general liability of \$1 million per occurrence, \$3 million aggregate; commercial inland marine of \$1,650,999 and blanket bonding of \$100,000 per employee. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$250,000 and \$150,000, respectively each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000 each.

The City's commercial property insurance policy provides broad form flood coverage for specifically scheduled locations. These scheduled locations involve city physical assets located outside of any traditional 100-year flood zone. The City does have a limited number of physical assets located within 100-year flood zones. For these assets, the City has chosen to assume the risk of flood loss without the purchase of flood insurance either due to cost or the lack of availability of such insurance.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2009, the City was a defendant to two lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

5. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to participants in accordance with the Plan document.

All amounts of compensation deferred under the Plan are held in trust for the exclusive benefit of Plan participants and their beneficiaries.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent administrator.

The Plan is administered by the International City Management Association. Investments are managed by the plan trustee under several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

6. Self-Insurance

The City has established a medical Health Insurance Fund in the Internal Service Fund group. The purpose of this fund is to pay medical claims of the City's employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Self-insurance is in effect for losses up to \$50,000 per participant per year. Aggregate stop-loss coverage is at 125% of expected claims. Losses greater than \$50,000 per participant, and those in excess of the aggregate stop-loss, are insured by a private insurance company.

The Health Insurance Fund collects interfund premiums from insured funds and departments and pays claim settlements and purchases certain insurance policies. Interfund revenues and expenses are accrued when the interfund premiums are earned. Interfund premiums are based on the insured funds' claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Health Insurance Fund for the settlement value of claims reported and the estimated value of claims incurred but not reported, up to stop-loss arising from accidents during the period. A liability is established simultaneously. No actuarial study has been performed on the Health Insurance Fund.

The following is a reconciliation of the claims liability for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Claims liability, beginning of year	\$ 250,963	\$ 256,195
Claims incurred	921,529	1,162,426
Payments on claims	<u>(851,444)</u>	<u>(1,167,658)</u>
Claims liability, end of year	<u>\$ 321,048</u>	<u>\$ 250,963</u>

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

7. Long-Term Obligations

a. General Obligation Indebtedness

The City's general obligation bonds serviced by the governmental funds were issued for the acquisition and construction of a recreation center. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and wastewater systems and which are being retired by its resources are reported as long-term debt in the Water and Wastewater Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2009 are comprised of the following individual issues:

Serviced by the Water and Wastewater Fund:

\$3,553,649, 1999 refunded sewer serial bonds due in annual installments ranging from \$84,125 to \$519,957 through April 2012; interest at 4.0% to 4.3%	\$934,671
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Serviced by the General Fund:

\$503,239, 1984 refunded recreation center serial bonds in annual installments ranging from \$15,211 to \$57,676 through February 1, 2007; interest at 4.7% to 5.0%	<u>50,329</u>
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Total	<u>\$985,000</u>
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The City advance refunded the 1984 Recreation Bonds to increase its total debt service payments over the next 15 years by \$58,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$44,000. The general long-term debt outstanding at June 30, 2009 related to the refunding and being serviced by the general fund was \$50,329.

CITY OF NEWTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2009**

b. Loans Payable

The loans payable are for the acquisition of land, vehicles, equipment and various capital, electric and water and wastewater projects. Principal and interest requirements are appropriated when due.

Loans payable at June 30, 2009 are comprised of the following:

	<u>Serviced By</u>		
	<u>General Fund</u>	<u>Water and Wastewater Fund</u>	<u>Electric Fund</u>
\$145,385, 1990, noninterest bearing water loan payable to Catawba County, due in annual installments of \$7,631 through June 2010	\$ -	\$ 7,632	\$ -
\$213,183, 1992, and 1991 noninterest water loan payable to Catawba County, due in annual installments of \$10,659 through June 2011	-	31,977	-
\$184,730, 1994, McKay Road project noninterest bearing loan payable to Catawba County, in annual installments of \$9,237 through 2014	-	55,419	-
\$213,393, 2006, Balls Creek Sewer noninterest bearing loan payable to Catawba County, due in annual installments of \$17,763 through January 2017	-	135,261	-
\$338,661, 2005, 3.79% loan payable to bank in annual installments of \$49,865 for vehicles and equipment due in 2012	119,144	16,781	45,980
\$783,850, 2005, 3.79% loan payable to bank in annual installments of \$115,416 for vehicles and equipment due in 2012	269,022	36,525	115,483
\$367,000, 2005, 3.63% loan payable to bank in annual installments of \$45,180 for fire truck due in 2014	237,072	-	-
\$184,845, 2005, 3.79% loan payable to bank in annual installments of \$27,217 for vehicle and equipment due in 2012	99,286	-	-
\$267,243, 2005, 3.79% loan payable to bank in annual installments of \$39,350 for vehicles and equipment due in 2012	82,191	38,201	23,152
\$290,647, 2005, 3.69% loan payable to bank in annual installments of \$47,871 for vehicles and equipment due in 2011	71,073	17,286	45,274
\$2,702,929, 2005, 4.13% loan payable to bank in annual installments of \$258,084 for water and wastewater capital projects due in 2018	-	2,079,815	-
\$1,766,543, 2005, 3.97% loan payable to bank in annual installments of \$217,474 for electric system improvements due in 2014	-	-	1,141,141

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2009

	<u>General Fund</u>	<u>Serviced By Water and Wastewater Fund</u>	<u>Electric Fund</u>
\$652,000, 2005, 3.25% loan payable to bank in annual installments of \$143,385 for vehicles and equipment due in 2009	\$ 95,208	\$ 20,234	\$ 23,429
\$370,000, 2005, 3.97% loan payable to bank in annual installments of \$33,208 for fire truck due in 2019	291,393	-	-
\$2,300,000, 2005, 3.97% loan payable to bank in annual installments of \$206,431 for water and wastewater capital improvements due in 2019	-	1,811,362	-
\$2,500,000, 2005, 3.97% loan payable to bank in annual installments of \$227,850 for water and wastewater capital improvements due in 2019	-	1,975,778	-
\$4,700,000, 2004, 2.94% loan payable to bank in annual installments of \$667,851 for water and wastewater capital projects due in 2012	-	1,891,273	-
\$550,000, 2006, 3.39% loan payable to bank in annual installments of \$65,767 for equipment due in 2015	-	-	403,789
\$345,650, 2006, 3.65% loan payable to bank in annual installments of \$76,881 for vehicles due in 2011	122,693	23,042	-
\$4,000,000, 2005, 3.91% loan payable to bank in annual installments of \$358,669 for water and wastewater, electric and general capital improvements and equipment due in 2021	554,380	437,508	2,609,738
\$505,600, 2007, 3.97% loan payable to bank in annual installments of \$113,476 for vehicles and equipment due in 2012	154,302	-	160,783
\$651,000, 2008, 4.130% loan to bank in annual installments of a fixed payment of \$43,400 plus interest for real property improvements and equipment due in 2022	607,600	-	-
\$131,000, 2008, 3.69% loan to bank in annual installments of \$15,903 for a vehicle due in 2018	119,931	-	-
\$294,750, 2008, 3.4% loan to bank in annual installments of a fixed payment of \$58,950 plus interest for vehicles and equipment due in 2012	199,401	-	10,692
\$493,000, 2008, 3.54% loan payable to bank in annual installments of a fixed payment of \$70,428 plus interest for equipment due in 2014	422,571	-	-
\$475,000, 2009, 3.48% loan payable to bank in annual installments of a fixed payment of \$67,857 plus interest for equipment due in 2015	475,000	-	-
\$4,900,000, 2009, 3.97% loan payable to bank in annual installments of a fixed payment of \$329,333 plus interest for water and wastewater, electric and general capital improvements and equipment due in 2024	<u>348,000</u>	<u>1,692,000</u>	<u>2,900,000</u>
	<u>\$4,268,268</u>	<u>\$10,270,094</u>	<u>\$7,479,461</u>

CITY OF NEWTON, NORTH CAROLINA

**Notes to the Financial Statements
June 30, 2009**

Annual debt service requirements to maturity for long-term obligations are as follows:

	General Obligation Bonds		Loans Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:						
2010	\$ 23,248	\$ 2,072	\$ 725,410	\$ 162,223	\$ 748,658	\$ 164,295
2011	22,737	1,119	644,321	135,506	667,058	136,625
2012	4,343	187	594,254	111,344	598,597	111,531
2013	-	-	501,680	88,984	501,680	88,984
2014	-	-	324,181	70,120	324,181	70,120
2015-2019	-	-	1,001,945	196,260	1,001,945	196,260
2020-2024	-	-	476,477	45,075	476,477	45,075
Total governmental	<u>50,329</u>	<u>3,378</u>	<u>4,268,268</u>	<u>809,511</u>	<u>4,318,597</u>	<u>812,889</u>
Business-type activities:						
2010	431,752	38,483	2,018,128	678,512	2,449,880	716,995
2011	422,263	20,781	2,023,987	606,820	2,446,250	627,601
2012	80,657	3,468	2,072,817	534,427	2,153,473	537,895
2013	-	-	1,374,567	460,279	1,374,567	460,279
2014	-	-	1,338,571	406,672	1,338,571	406,672
2015-2019	-	-	6,130,623	1,275,248	6,130,623	1,275,248
2020-2024	-	-	2,790,863	266,245	2,790,863	266,245
Total business-type	<u>934,671</u>	<u>62,732</u>	<u>17,749,555</u>	<u>4,228,204</u>	<u>18,684,226</u>	<u>4,290,936</u>
Deferred loss on refunding	53,801				53,801	
Bond discount	<u>(1,014)</u>				<u>(1,014)</u>	
	<u>987,458</u>				<u>18,737,013</u>	
Total	<u>\$1,037,787</u>	<u>\$66,110</u>	<u>\$22,017,823</u>	<u>\$5,037,715</u>	<u>\$23,055,610</u>	<u>\$5,103,825</u>

At June 30, 2009, the City of Newton had a legal debt margin of \$55,018,039.

c. Changes in Long-Term Liabilities

	July 1, 2008	Increases	Decreases	June 30, 2009	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 74,088	\$ -	\$ 23,759	\$ 50,329	\$ 23,248
Loans payable	4,214,217	823,000	768,949	4,268,268	725,410
Compensated absences	366,560	171,542	158,265	379,837	180,389
Other post employment benefits	-	90,882	-	90,882	-
Net pension benefit obligation	<u>330,977</u>	<u>58,966</u>	<u>88,390</u>	<u>301,553</u>	-
Governmental activity long-term liabilities	<u>\$ 4,985,842</u>	<u>\$1,144,390</u>	<u>\$1,039,363</u>	<u>\$5,090,869</u>	<u>\$ 929,046</u>

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

	July 1, 2008	Increases	Decreases	June 30, 2009	Current Portion of Balance
Business-type activities:					
General obligation bonds	\$ 1,375,912	\$ -	\$ 441,241	\$ 934,671	\$ 431,752
Deferred loss on refunding	(72,789)	-	(18,988)	(53,801)	-
Bond discount	(1,372)	-	(358)	(1,014)	-
Loans payable	14,856,831	4,592,000	1,699,276	17,749,555	2,018,128
Compensated absences	117,897	73,378	74,032	117,243	75,100
Other post employment benefits	-	43,287	-	43,287	-
Business-type activity long-term liabilities	<u>\$16,276,480</u>	<u>\$4,708,665</u>	<u>\$2,195,204</u>	<u>\$18,789,940</u>	<u>\$2,524,980</u>

Compensated absences typically have been liquidated in the general fund.

C. Interfund Balances and Activities

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General Fund to:

CDBG-Moretz Ind Access Road Special Revenue Fund for capital project expenditures	\$ 37,450
Water and Wastewater Fund capital project expenditures for operations	215,000
Capital Projects Funds for capital project expenditures	178,200

From the Electric Fund to:

Electric Capital Projects for capital project expenditures	<u>109,700</u>
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Total	<u>\$540,350</u>
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Transfers are used to (1) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (2) move funds from the fund with collection authorization to other funds to stabilize rates.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2009, the City of Newton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$7,074 for the 26 employed firemen who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the City, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$8,906 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2009. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

IV. Jointly Governed Organizations

North Carolina Municipal Power Agency Number 1 (NCMPA1)

The City, in conjunction with eighteen other local governments in the piedmont and foothills region of North Carolina, is a member of the North Carolina Municipal Power Agency Number 1 (NCMPA1). The NCMPA1 has 75 percent ownership interest in Catawba Nuclear Station Unit 2, located in York County, SC., which is operated by Duke Energy. It also has an agreement with Duke Energy that provides for electric power via McGuire Nuclear Station and Catawba Unit 1 should Catawba Nuclear Station Unit 2 be unavailable for service. NCMPA1 is governed by a Board of Commissioners, which consists of 14 members elected throughout North Carolina. Each participating government appoints one Commissioner and an Alternate Commissioner to the Board. The nineteen members, which receive power from the NCMPA1 have signed power sales agreements to purchase a specified share of the power generated by the NCMPA1. NCMPA1 revenues derived from the Power Sales Agreement are pledged as security for the Power Agency bonds outstanding. The City's purchase of power for the fiscal year ended June 30, 2009 was \$8,389,332.

Newton-Conover Auditorium Authority

The Newton-Conover Auditorium Authority was organized and incorporated by the Secretary of State of North Carolina as a nonprofit corporation on December 27, 1990. It is composed of a board of directors including members appointed by the City of Newton (four members); Newton-Conover School Board (three members); and the Catawba County Board of Commissioners (three members). The Authority's responsibilities include the restoration and renovation of the former Newton-Conover High School auditorium for use as a civic auditorium for a wide range of community activities. This community auditorium is available for use by individuals, civic groups, the schools and the local community theater group, "The Green Room". The City funded \$41,000 to the Newton-Conover Auditorium Authority during fiscal year ended June 30, 2009.

CITY OF NEWTON, NORTH CAROLINA

Notes to the Financial Statements June 30, 2009

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The City paid membership dues of \$56,650 during fiscal year ended June 30, 2009.

Western Piedmont Regional Transit Authority

Western Piedmont Regional Transit Authority (WPRTA) is the first regional public transportation authority with consolidated urban-rural transit service in North Carolina. Alexander, Burke, Caldwell and Catawba Counties in conjunction with the municipalities of Conover, Hickory and Newton each appoint one member to the governing board of the WPRTA. The City paid \$31,135 to WPRTA during fiscal year ended June 30, 2009.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.



REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- **Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.**
 - **Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.**
 - **Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.**
 - **Schedule of Funding Progress for the Other Postemployment Benefits.**
 - **Schedule of Employer Contributions for the Other Postemployment Benefits.**
 - **Notes to the Required Schedules for the Other Postemployment Benefits.**
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CITY OF NEWTON, NORTH CAROLINA

Exhibit A-1

**Schedule of Law Enforcement Officers'
Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/99	-0-	\$ 193,367	\$ 193,367	0%	\$ 1,086,991	17.79%
12/31/00	-0-	332,747	332,747	0%	1,120,483	29.70%
12/31/01	-0-	385,678	385,678	0%	1,178,694	32.72%
12/31/02	-0-	449,478	449,478	0%	1,202,209	37.39%
12/31/03	-0-	440,374	440,374	0%	1,226,127	35.92%
12/31/04	-0-	522,202	522,202	0%	1,335,544	39.10%
12/31/05	-0-	519,076	519,076	0%	1,290,773	40.21%
12/31/06	-0-	553,357	553,357	0%	1,327,546	41.68%
12/31/07	-0-	571,026	571,026	0%	1,289,622	44.28%
12/31/08	-0-	596,166	596,166	0%	1,331,679	44.77%

CITY OF NEWTON, NORTH CAROLINA**Exhibit A-2****Schedule of Law Enforcement Officers'
Special Separation Allowance
Required Supplementary Information
Notes to Required Schedules**

Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2001	\$ 32,446	2.93%
2002	42,349	3.71%
2003	46,711	3.89%
2004	49,724	4.06%
2005	49,590	3.97%
2006	56,192	4.13%
2007	50,760	3.79%
2008	53,341	3.87%
2009	55,205	4.28%
2010	58,869	4.42%

Notes to Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation.

Valuation date	12/31/08
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

CITY OF NEWTON, NORTH CAROLINA**Exhibit A-3****Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)					
12/31/08	-0-	\$ 1,789,597		\$ 1,789,597	0%	\$ 5,694,669	31.40%

Note: The City of Newton implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. As the City has additional actuary valuations performed, previous years information will be added to this schedule

CITY OF NEWTON, NORTH CAROLINA**Exhibit A-4****Other Postemployment Benefits
Required Supplementary Information
Notes to Required Schedules**

Other Postemployment Benefits Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 187,916	3.30%

Notes to Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation.

Valuation date	12/31/08
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization period	28 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	10.50-5.00%
Year of ultimate trend rate	2016
*Includes inflation at	3.75%

GOVERNMENTAL ACTIVITIES MAJOR FUNDS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.



CITY OF NEWTON, NORTH CAROLINA

Exhibit B-1

**Balance Sheets
General Fund
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and short-term investments	\$ 3,325,574	\$ 2,756,557
Other investments	-	3,187
Taxes receivable, net	461,041	470,402
Accounts receivable, net	485,000	593,180
Interest receivable	551	2,533
Due from other governmental agencies	83,597	117,246
Inventories	38,478	69,014
Restricted cash and cash equivalents	<u>126,755</u>	<u>901,900</u>
 Total assets	 <u><u>\$ 4,520,996</u></u>	 <u><u>\$ 4,914,019</u></u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable and other current liabilities	\$ 198,869	\$ 264,894
Unearned revenue	39,404	67,001
Deferred revenue	<u>461,041</u>	<u>470,402</u>
Total liabilities	<u>699,314</u>	<u>802,298</u>
 Fund balances:		
Reserved for:		
State statute	569,148	712,959
Inventories	38,478	69,014
Encumbrances	11,018	439,344
Streets - Powell Bill	86,453	204,114
Open space fees	11,321	11,321
Perpetual Care	15,000	-
Federal asset seizure	72,638	46,038
Unreserved, reported in:		
General Fund - designated for subsequent year	323,250	275,500
General Fund - undesignated	<u>2,694,337</u>	<u>2,353,432</u>
Total fund balances	<u>3,821,643</u>	<u>4,111,722</u>
 Total liabilities and fund balances	 <u><u>\$ 4,520,956</u></u>	 <u><u>\$ 4,914,019</u></u>

CITY OF NEWTON, NORTH CAROLINA

**Exhibit B-2
Page 1 of 8**

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Current year	\$ 4,256,750	\$ 4,543,983	\$ 287,233	\$ 4,263,388
Prior years	112,000	193,263	81,263	148,680
Interest and penalties	20,000	40,822	20,822	26,442
Total	<u>4,388,750</u>	<u>4,778,068</u>	<u>389,318</u>	<u>4,438,510</u>
Other taxes and licenses:				
Local option sales tax	2,953,700	2,717,347	(236,353)	2,979,005
Solid waste disposal tax	-	6,308	6,308	-
Rural fire district tax	354,550	354,549	(1)	332,767
Total	<u>3,308,250</u>	<u>3,078,204</u>	<u>(230,046)</u>	<u>3,311,772</u>
Unrestricted intergovernmental revenues:				
Payment in lieu of taxes	315,850	315,850	-	307,850
Utility franchise tax	721,150	768,977	47,827	735,324
Beer and wine tax	61,800	60,871	(929)	60,938
Other	50,050	46,212	(3,838)	13,938
Total	<u>1,148,850</u>	<u>1,191,910</u>	<u>43,060</u>	<u>1,118,050</u>
Restricted intergovernmental revenues:				
Federal asset seizure allocation	5,000	29,333	24,333	8,780
Investment earnings on federal asset seizure allocation	50	387	337	1,158
Other	-	14,979	14,979	7,944
On-behalf of payments - Fire	-	15,980	15,980	19,790
Powell Bill State street aid allocation	438,700	433,656	(5,044)	477,979
Investment earnings on Powell Bill allocation	7,500	4,514	(2,986)	13,494
Total	<u>451,250</u>	<u>498,849</u>	<u>47,599</u>	<u>529,144</u>

CITY OF NEWTON, NORTH CAROLINA**Exhibit B-2****Page 2 of 8**

General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>		<u>Variance</u>	<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues (continued):				
Permits and fees:				
Privilege and peddler's license	\$ 200	\$ 470	\$ 270	\$ 380
Local franchise - cable t.v.	85,300	93,219	7,919	96,009
Total	85,500	93,689	8,189	96,389
 Sales and services:				
Supportive court services	8,000	4,127	(3,874)	4,626
Refuse collection fees	588,330	557,169	(31,161)	440,025
Recreation fees and concessions	66,150	82,748	16,598	76,320
Other	46,500	51,072	4,572	64,781
Total	708,980	695,115	(13,865)	585,753
 Investment earnings	106,650	37,402	(69,248)	144,014
 Miscellaneous:				
Rentals and sale of property	66,000	72,380	6,380	95,982
Other	87,350	147,161	59,811	69,066
Total	153,350	219,541	66,191	165,048
 Total revenues	10,351,580	10,592,778	241,198	10,388,679

CITY OF NEWTON, NORTH CAROLINA

**Exhibit B-2
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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
Current:				
General government:				
Governing body				
Salaries and employee benefits	\$ 55,500	\$ 52,795	\$ 2,705	\$ 45,778
Other operating expenditures	14,400	12,600	1,800	29,496
Interdepartmental charges	(35,800)	(35,800)	-	(33,250)
	<u>34,100</u>	<u>29,595</u>	<u>4,505</u>	<u>42,025</u>
Administrative				
Salaries and employee benefits	235,363	231,017	4,346	217,749
Other operating expenditures	111,130	104,775	6,355	110,349
Interdepartmental charges	(173,000)	(173,000)	-	(135,400)
	<u>173,493</u>	<u>162,792</u>	<u>10,701</u>	<u>192,699</u>
Finance				
Salaries and employee benefits	420,192	378,449	41,743	413,714
Other operating expenditures	283,000	241,924	41,076	183,494
Capital outlay	187,750	138,280	49,470	389,459
Interdepartmental charges	(413,050)	(413,050)	-	(293,800)
	<u>477,892</u>	<u>345,603</u>	<u>132,290</u>	<u>692,867</u>
Purchasing/warehouse				
Salaries and employee benefits	99,450	100,290	(840)	95,523
Other operating expenditures	12,350	10,557	1,793	9,572
Interdepartmental charges	(79,800)	(79,800)	-	(74,000)
	<u>32,000</u>	<u>31,047</u>	<u>953</u>	<u>31,095</u>
Technology/MIS				
Salaries and employee benefits	133,500	133,224	276	116,830
Other operating expenditures	221,770	196,165	25,605	160,276
Capital outlay	37,480	-	37,480	-
Interdepartmental charges	(291,250)	(291,250)	-	(156,850)
	<u>101,500</u>	<u>38,139</u>	<u>63,361</u>	<u>120,256</u>

CITY OF NEWTON, NORTH CAROLINA

**Exhibit B-2
Page 4 of 8**

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Personnel				
Salaries and employee benefits	\$ 298,045	\$ 297,408	\$ 637	\$ 272,229
Other operating expenditures	210,500	175,300	35,200	118,899
Interdepartmental charges	(44,000)	(44,000)	-	(41,600)
	<u>464,545</u>	<u>428,708</u>	<u>35,837</u>	<u>349,528</u>
Planning and code enforcement				
Salaries and employee benefits	305,726	301,146	4,580	261,001
Other operating expenditures	110,475	44,968	65,507	49,960
Interdepartmental charges	(148,900)	(148,900)	-	(103,150)
	<u>267,301</u>	<u>197,215</u>	<u>70,086</u>	<u>207,811</u>
Municipal building				
Other operating expenditures	229,750	231,357	(1,607)	141,265
Capital outlay	20,050	10,041	10,009	-
	<u>249,800</u>	<u>241,398</u>	<u>8,402</u>	<u>141,265</u>
Public works administration				
Salaries and employee benefits	201,100	194,901	6,199	150,267
Other operating expenditures	73,650	37,611	36,039	92,619
Interdepartmental charges	(145,350)	(145,350)	-	(85,500)
	<u>129,400</u>	<u>87,162</u>	<u>42,238</u>	<u>157,386</u>
Garage				
Salaries and employee benefits	96,830	95,935	895	89,451
Other operating expenditures	42,550	38,319	4,231	41,264
Interdepartmental charges	(44,800)	(44,800)	-	(28,900)
	<u>94,580</u>	<u>89,454</u>	<u>5,126</u>	<u>101,815</u>

CITY OF NEWTON, NORTH CAROLINA

**Exhibit B-2
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**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
For the Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)**

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Downtown public parking				
Other operating expenditures	\$ 7,950	\$ 6,224	\$ 1,726	\$ 6,024
	<u>7,950</u>	<u>6,224</u>	<u>1,726</u>	<u>6,024</u>
Total general government	<u>2,032,561</u>	<u>1,657,337</u>	<u>375,225</u>	<u>2,042,770</u>
Public safety:				
Police				
Salaries and employee benefits	2,406,384	2,379,335	27,049	2,257,572
Other operating expenditures	562,650	499,962	62,688	483,520
Capital outlay	24,000	40,608	(16,608)	227,402
Interdepartmental charges	(1,950)	(1,950)	-	(1,400)
Fire				
Salaries and employee benefits	1,331,266	1,319,345	11,921	1,204,594
Other operating expenditures	224,800	207,239	17,561	178,290
Capital outlay	474,600	474,512	88	-
Interdepartmental charges	(77,550)	(77,500)	(50)	(41,200)
County fire district				
Salaries and employee benefits	205,016	206,188	(1,172)	181,913
Other operating expenditures	100,100	81,270	18,830	54,455
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,728</u>
Total public safety	<u>5,249,316</u>	<u>5,129,009</u>	<u>120,308</u>	<u>4,550,873</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit B-2
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General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
For the Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
Expenditures (continued):	<u>Budget</u>	<u>Actual</u>		
Transportation:				
Streets				
Salaries and employee benefits	\$ 363,697	\$ 347,816	\$ 15,881	\$ 352,048
Other operating expenditures	123,050	114,629	8,421	147,469
Capital outlay	-	-	-	35,729
Powell Bill assistance				
Salaries and employee benefits	128,250	122,705	5,545	107,615
Other operating expenditures	<u>340,100</u>	<u>308,004</u>	<u>32,096</u>	<u>265,559</u>
Total transportation	<u>955,097</u>	<u>893,155</u>	<u>61,942</u>	<u>908,421</u>
Environmental protection:				
Sanitation				
Salaries and employee benefits	535,637	512,883	22,754	511,870
Other operating expenditures	362,500	335,677	26,823	307,846
Capital outlay	<u>349,600</u>	<u>329,518</u>	<u>20,082</u>	<u>-</u>
Total environmental protection	<u>1,247,737</u>	<u>1,178,078</u>	<u>69,659</u>	<u>819,716</u>
Cultural and recreational:				
Recreation				
Salaries and employee benefits	578,231	577,560	671	545,938
Other operating expenditures	144,790	146,336	(1,546)	177,645
East Newton recreation				
Salaries and employee benefits	26,524	25,119	1,405	26,059
Other operating expenditures	37,750	37,347	403	36,425
Swimming pool				
Salaries and employee benefits	23,500	19,506	3,994	26,531
Other operating expenditures	36,910	36,126	784	29,354

CITY OF NEWTON, NORTH CAROLINA

Exhibit B-2
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General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Expenditures (continued):				
Parks				
Salaries and employee benefits	\$ 55,150	\$ 50,746	\$ 4,404	\$ 36,471
Other operating expenditures	60,900	61,649	(749)	56,822
Community appearance				
Salaries and employee benefits	168,284	167,660	624	138,318
Other operating expenditures	17,830	19,307	(1,477)	31,385
Capital outlay	9,320	9,320	-	15,273
Special appropriations				
Other operating expenditures	390,250	360,404	29,846	311,038
Interdepartmental charges	<u>(21,050)</u>	<u>(21,050)</u>	<u>-</u>	<u>(4,950)</u>
Total cultural and recreational	<u>1,528,389</u>	<u>1,490,029</u>	<u>38,360</u>	<u>1,426,310</u>
Debt service:				
Principal retirement	789,800	792,708	(2,908)	566,692
Interest and fees	<u>162,750</u>	<u>161,982</u>	<u>768</u>	<u>125,270</u>
Total debt service	<u>952,550</u>	<u>954,690</u>	<u>(2,140)</u>	<u>691,962</u>
Total expenditures	<u>11,965,650</u>	<u>11,302,297</u>	<u>663,355</u>	<u>10,440,051</u>
Revenues over (under) expenditures	<u>(1,614,070)</u>	<u>(709,519)</u>	<u>904,552</u>	<u>(51,372)</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit B-2, cont.
Page 8 of 8

**General Fund
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
For the Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)**

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Other Financing Sources (Uses):				
Appropriated fund balance				
- General Fund	\$ 1,168,770	\$ -	\$(1,168,770)	\$ -
- Powell Bill	145,700	-	(145,700)	-
- Federal Asset Seizure	17,500	-	(17,500)	-
Issuance of debt	823,000	823,000	-	1,554,750
Sale of capital assets	-	57,626	57,626	-
Transfers - in (out):				
Water and Wastewater Fund	(215,000)	(215,000)	-	(143,500)
CDBG-Moretz Ind Access Road				
Special Revenue Fund	(37,450)	(37,450)	-	(120,900)
General Capital Project Fund	(288,450)	(178,200)	110,250	(1,087,943)
Total other financing sources (uses)	<u>1,614,070</u>	<u>449,976</u>	<u>(1,164,094)</u>	<u>202,407</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(259,541)	<u>\$ (259,541)</u>	151,035
Fund balances, July 1		4,111,722		3,935,431
Increase (decrease) in reserve for inventory		<u>(30,536)</u>		<u>25,256</u>
Fund balances, June 30		<u>\$ 3,821,643</u>		<u>\$ 4,111,722</u>



GOVERNMENTAL ACTIVITIES NON-MAJOR FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for funds to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Downtown Facade Improvement Capital Project Fund - This fund is used to account for improvements in the downtown area.

General Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of general capital projects not accounted for by an individual fund.

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

CDBG-Moretz Ind Access Road Special Revenue Fund - This fund is used to account for financial resources to be used to construct an access road.

2008 City of Newton Urgent Repair Program Speical Revenue Fund - This fund is used to account for financial resources to be used to provide urgent home repairs to nineteen homes within the city limits of the City as well as its extraterritorial jurisdiction.



CITY OF NEWTON, NORTH CAROLINA

Exhibit C-1

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009**

	CDBG-Moretz Ind Access Road Special <u>Revenue Fund</u>	Downtown Facade Improvement Capital <u>Project Fund</u>	General Capital Project <u>Fund</u>	2008 City of Newton Urgent Repair <u>Program</u>	Total Non-Major Governmental <u>Funds</u>
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 50,053	\$ 117	\$ 557,400	\$ 23,349	\$ 630,919
Accounts receivable	1,819	25	20,251	101	22,196
Total assets	<u>\$ 51,872</u>	<u>\$ 142</u>	<u>\$ 577,651</u>	<u>\$ 23,450</u>	<u>\$ 653,115</u>
<u>Liabilities and Fund Balances</u>					
Accounts payable and other current liabilities	\$ 56,809	\$ -	\$ 15,131	\$ 23,271	\$ 95,211
Total liabilities	<u>56,809</u>	<u>-</u>	<u>15,131</u>	<u>23,271</u>	<u>95,211</u>
Fund balances:					
Unreserved - undesignated	(4,937)	142	562,520	179	557,904
Total liabilities and fund balances	<u>\$ 51,872</u>	<u>\$ 142</u>	<u>\$ 577,651</u>	<u>\$ 23,450</u>	<u>\$ 653,115</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit C-2

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2009**

	CDBG-Moretz Ind Access Road Special <u>Revenue Fund</u>	Downtown Facade Improvement Capital <u>Project Fund</u>	General Capital Project <u>Fund</u>	2008 City of Newton Urgent Repair <u>Program</u>	Total Non-Major Governmental <u>Funds</u>
Revenues:					
Grant	\$ -	\$ -	\$ -	\$ 14,229	\$ 14,229
Interest	-	-	-	179	179
Total revenues	-	-	-	14,408	14,408
Expenditures:					
Economic and physical development	158,054	-	747,843	14,229	920,126
Revenues over (under) expenditures	(158,054)	-	(747,843)	179	(905,718)
Other Financing Sources (Uses):					
Transfers in (out):					
General Fund	37,450	-	178,200	-	215,650
Revenues and other financing sources over (under) expenditures and other financing uses	(120,604)	-	(569,643)	179	(690,068)
Fund balances, July 1	115,667	142	1,132,163	-	1,247,972
Fund balances, June 30	<u>\$ (4,937)</u>	<u>\$ 142</u>	<u>\$ 562,520</u>	<u>\$ 179</u>	<u>\$ 557,904</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit C-3

**CDBG-Moretz Ind Access Road Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2009**

	<u>Project</u>	<u>Actual</u>		<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Date</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>		<u>(Negative)</u>
Revenues:					
Restricted contributions	\$ 450,000	\$ 450,000	\$ -	\$ 450,000	\$ -
Expenditures:					
Construction	<u>1,011,300</u>	<u>815,483</u>	<u>158,054</u>	<u>973,537</u>	<u>37,763</u>
Revenues over (under) expenditures	(561,300)	(365,483)	(158,054)	(523,537)	37,763
Other Financing Sources (Uses):					
Operating transfers in - General Fund	461,300	381,150	37,450	418,600	(42,700)
Other miscellaneous receipts	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 115,667</u>	(120,604)	<u>\$ (4,937)</u>	<u>\$ (4,937)</u>
Fund balance, July 1			<u>115,667</u>		
Fund balance, June 30			<u>\$ (4,937)</u>		

CITY OF NEWTON, NORTH CAROLINA

Exhibit C-4

**Downtown Facade Improvement Capital Project Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2009**

	<u>Actual</u>			<u>Variance Positive (Negative)</u>
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted contributions	\$ 9,800	\$ 9,800	\$ -	\$ -
Expenditures:				
Professional services	1,000	1,000	-	-
Grant to property owners	<u>38,800</u>	<u>38,658</u>	<u>-</u>	<u>142</u>
Total expenditures	<u>39,800</u>	<u>39,658</u>	<u>-</u>	<u>142</u>
Revenues over (under) expenditures	(30,000)	(29,858)	-	142
Other Financing Sources (Uses):				
Transfers in - General Fund	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 142</u>	<u>-</u>	<u>\$ 142</u>
Fund balance, July 1			<u>142</u>	
Fund balance, June 30			<u>\$ 142</u>	

Project complete at June 30, 2009.

CITY OF NEWTON, NORTH CAROLINA

Exhibit C-5

**General Capital Projects Funds
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2009**

	<u>Actual</u>			<u>Variance Positive (Negative)</u>
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Grant	\$ 932,000	\$ 275,560	\$ -	\$ (656,440)
Total revenues	<u>932,000</u>	<u>275,560</u>	<u>-</u>	<u>(656,440)</u>
Expenditures:				
Construction:				
2nd Floor Renovations *	920,550	619,432	262,030	39,088
East First Street Culvert *	368,200	34,777	311,123	22,300
Heritage Trail Greenway	143,000	71,380	43,431	28,189
Target Distribution Center *	1,398,600	197,430	2,468	1,198,701
ZF Economic Dev Incentive Grant *	973,000	141,582	129,435	701,984
Jacobs Forks Park	777,300	757,260	(645)	20,685
Total expenditures	<u>4,580,650</u>	<u>1,821,860</u>	<u>747,843</u>	<u>2,010,948</u>
Revenues over (under) expenditures	(3,648,650)	(1,546,300)	(747,843)	1,354,508
Other Financing Sources (Uses) :				
Transfers in (out):				
Capital contributions	584,600	-	-	(584,600)
General Fund	2,061,200	1,675,613	178,200	(207,387)
Water and Wasterwater Fund	352,950	352,950	-	-
Electric Fund	649,900	649,900	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,132,163</u>	<u>(569,643)</u>	<u>\$ 562,520</u>
Fund balance, July 1			<u>1,132,163</u>	
Fund balance, June 30			<u>\$ 562,520</u>	

*Project complete at June 30, 2009.

CITY OF NEWTON, NORTH CAROLINA**Exhibit C-6**

**2008 City of Newton Urgent Repair Program
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2009**

	<u>Project</u>	<u>Actual</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Restricted contributions	\$ 75,000	\$ -	\$ 14,229	\$ 14,229
Investment earnings	-	-	179	179
Total revenues	75,000	-	14,408	14,408
				(60,592)
Expenditures:				
Construction	75,000	-	14,229	14,229
				60,771
Revenues over (under) expenditures	-	-	179	179
				179
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	179	\$ 179
				\$ 179
Fund balance, July 1			-	
Fund balance, June 30			\$ 179	

BUSINESS - TYPE ACTIVITIES

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Wastewater Fund - This fund is used to account for the activities associated with the production, distribution and transmission of potable water by the City to its users and for the operation and maintenance of the City's sewer and surface drainage systems.

Electric Fund - This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Health Insurance Fund - This fund is used to account for the payment of medical claims of the City's employees and their covered dependents.

CITY OF NEWTON, NORTH CAROLINA

Exhibit D-1

**Water and Wastewater Fund
Statements of Net Assets
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 651,162	\$ 1,119,879
Accounts receivable, net	1,251,181	894,719
Interest receivable	272	680
Inventories	88,491	90,280
Restricted cash and cash equivalents	<u>1,249,793</u>	<u>107,500</u>
Total current assets	<u>3,240,898</u>	<u>2,213,058</u>
Capital assets:		
Land and improvements	210,332	210,332
Buildings and improvements	21,740,094	21,740,094
Distribution systems	32,686,989	32,556,400
Furniture and maintenance equipment	917,415	785,427
Vehicles	493,271	520,271
Construction in progress	1,480,713	1,075,478
Less accumulated depreciation	<u>(23,565,504)</u>	<u>(22,068,938)</u>
Capital assets, net	<u>33,963,309</u>	<u>34,819,063</u>
Total assets	<u>\$ 37,204,208</u>	<u>\$ 37,032,121</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and other current liabilities	\$ 516,359	\$ 1,447,056
Due to other government	27,870	68,547
Customer deposits	55,489	58,074
Accrued compensated absences	54,283	57,658
General obligation bonds payable-current	431,752	441,241
Loans payable - current	<u>1,306,600</u>	<u>1,156,190</u>
Total current liabilities	2,392,353	3,228,766
Noncurrent liabilities:		
Accrued compensated absences	33,014	28,896
Other postemployment benefits	36,168	-
General obligation bonds payable	448,105	860,511
Loans payable	<u>8,963,494</u>	<u>8,620,700</u>
Total liabilities	<u>11,873,133</u>	<u>12,738,872</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	24,063,152	23,847,922
Unrestricted	<u>1,267,923</u>	<u>445,327</u>
Total net assets	<u>\$ 25,331,074</u>	<u>\$ 24,293,249</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit D-2
Page 1 of 2

**Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2009
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Charges for services	\$ 5,197,900	\$ 4,832,233	\$ (365,667)	\$ 4,229,476
Other	<u>551,300</u>	<u>490,937</u>	<u>(60,363)</u>	<u>511,608</u>
Total operating revenues	5,749,200	5,323,170	(426,030)	4,741,084
Nonoperating revenues:				
Interest earned	<u>62,000</u>	<u>15,274</u>	<u>(46,726)</u>	<u>62,136</u>
Total revenues	<u>5,811,200</u>	<u>5,338,444</u>	<u>(472,756)</u>	<u>4,803,220</u>
Expenditures:				
Operations	2,396,407	2,257,244	139,163	2,282,798
Maintenance	1,249,743	891,470	358,273	1,486,687
Administration	476,500	476,450	50	-
Budgetary appropriations:				
Appropriated fund balance	(44,600)	-	(44,600)	-
Proceeds from borrowing	(2,702,000)	(1,692,000)	(1,010,000)	-
Debt principal	1,620,000	1,640,036	(20,036)	1,563,898
Interest	474,000	487,583	(13,583)	489,107
Increase (decrease) in inventory	-	(1,789)	1,789	(18,999)
Capital outlay	<u>2,341,150</u>	<u>183,789</u>	<u>2,157,361</u>	<u>1,485,785</u>
Total expenditures	<u>5,811,200</u>	<u>4,242,783</u>	<u>1,568,417</u>	<u>7,289,275</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,095,661</u>	<u>1,095,661</u>	<u>(2,486,055)</u>

CITY OF NEWTON, NORTH CAROLINA

**Exhibit D-2,cont.
Page 2 of 2**

**Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2009
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Other Financing Sources (Uses):				
Transfer from (to):				
General Fund	\$ -	\$ -	\$ -	\$ 143,500
Water and Wastewater Capital Projects	-	-	-	(82,950)
Gain (loss) on disposal	-	6,868	6,868	-
Capital contributions	-	43,461	43,461	1,485,785
Total other financing sources (uses)	<u>-</u>	<u>50,329</u>	<u>50,329</u>	<u>1,546,335</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 1,145,990	 <u>\$ 1,145,990</u>	 (939,720)
 Reconciliation of Modified to Full Accrual Basis - Add (deduct):				
Income from Water and Wastewater Capital Project				
Grant and other income		1,136,054		564,492
Transfer in		215,000		-
Electric Capital Projects		-		(385,000)
Cost of expenditures which were capitalized		183,789		1,485,785
Payment of debt principal		1,640,036		1,563,898
(Increase) decrease in accrued interest expense		(23,145)		10,209
(Increase) decrease in accrued vacation		(743)		(2,360)
(Increase) decrease in other postemployment benefits		(36,168)		-
Increase (decrease) in inventory		(1,789)		(18,999)
Proceeds from borrowing		(1,692,000)		-
Depreciation		(1,529,198)		(1,497,414)
Transfer to Water and Wastewater Capital Projects		<u>-</u>		<u>82,950</u>
 Income (loss) before operating transfers		 <u>\$ 1,037,826</u>		 <u>\$ 863,841</u>

NOTE: This schedule is included to show budgetary compliance with the legally adopted budget.

CITY OF NEWTON, NORTH CAROLINA

Exhibit D-3

**Water and Wastewater Fund Capital Projects
Water and Wastewater Capital Projects
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2009**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted grant revenues	\$ 1,900,000	\$ 654,866	\$ 1,083,818	\$ 1,738,684	\$ (161,316)
Other revenues	<u>55,300</u>	<u>-</u>	<u>52,236</u>	<u>52,236</u>	<u>(3,064)</u>
Total revenues	<u>1,955,300</u>	<u>654,866</u>	<u>1,136,053</u>	<u>1,790,919</u>	<u>(164,381)</u>
Expenditures:					
Capital outlay:					
CDBG-ED Target Distribution	1,515,000	1,050,513	303,171	1,353,684	161,316
Burris Road Pump Station	215,000	-	80,860	80,860	134,140
Sewer to the Falls *	<u>138,250</u>	<u>24,965</u>	<u>105,624</u>	<u>130,589</u>	<u>7,661</u>
Total expenditures	<u>1,868,250</u>	<u>1,075,478</u>	<u>489,655</u>	<u>1,565,133</u>	<u>303,117</u>
Revenues over (under) expenditures	87,050	(420,612)	646,398	225,786	138,736
Other Financing Sources (Uses):					
Transfer from (to):					
General Fund	215,000	-	215,000	215,000	-
Electric Fund	(385,000)	(385,000)	-	(385,000)	-
Water and Wastewater Fund	<u>82,950</u>	<u>60,663</u>	<u>-</u>	<u>60,663</u>	<u>(22,287)</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (744,949)</u>	<u>\$ 861,398</u>	<u>\$ 116,450</u>	<u>\$ 116,450</u>

*Project complete at June 30, 2009.

CITY OF NEWTON, NORTH CAROLINA

Exhibit D-4

**Electric Fund
Statements of Net Assets
June 30, 2009 and 2008**

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ -	\$ 189,579
Accounts receivable, net	1,055,518	991,758
Interest receivable	172	115
Inventories	517,039	503,378
Restricted cash and cash equivalents	<u>1,806,949</u>	<u>653,160</u>
Total current assets	<u>3,379,678</u>	<u>2,337,991</u>
Capital assets:		
Land and improvements	5,000	5,000
Buildings and improvements	500,567	500,567
Distribution systems	8,520,211	8,140,903
Furniture and maintenance equipment	4,585,967	4,502,706
Vehicles	685,402	685,402
Construction in progress	3,117,315	1,406,689
Less accumulated depreciation	<u>(6,890,970)</u>	<u>(6,350,978)</u>
Capital assets, net	<u>10,523,491</u>	<u>8,890,290</u>
Total assets	<u>\$ 13,903,169</u>	<u>\$ 11,228,280</u>
<u>Liabilities</u>		
Current liabilities:		
Check issued in excess of bank balance	\$ 131,733	\$ -
Accounts payable and other current liabilities	1,041,484	1,024,791
Customer deposits	159,847	162,397
Accrued compensated absences	20,817	21,204
Loans payable - current	<u>711,528</u>	<u>499,173</u>
Total current liabilities	2,065,408	1,707,565
Noncurrent liabilities:		
Accrued compensated absences	9,129	10,139
Other postemployment benefits	7,119	-
Loans payable	<u>6,767,932</u>	<u>4,580,769</u>
Total liabilities	<u>8,849,589</u>	<u>6,298,473</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,850,979	4,463,508
Unrestricted	<u>202,601</u>	<u>466,300</u>
Total net assets	<u>\$ 5,053,580</u>	<u>\$ 4,929,808</u>

CITY OF NEWTON, NORTH CAROLINA

**Exhibit D-5
Page 1 of 2**

**Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2009
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	2009		Variance Positive (Negative)	2008 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Charges for services	\$ 12,073,900	\$ 11,233,483	\$ (840,417)	\$ 10,731,443
Other	508,500	639,088	130,588	663,825
Total operating revenues	<u>12,582,400</u>	<u>11,872,571</u>	<u>(709,829)</u>	<u>11,395,268</u>
Nonoperating revenues:				
Interest earned	-	5,326	5,326	29,764
Sales tax	318,450	285,311	(33,139)	293,824
Total nonoperating revenues	<u>318,450</u>	<u>290,638</u>	<u>(27,812)</u>	<u>323,588</u>
Total revenues	<u>12,900,850</u>	<u>12,163,209</u>	<u>(737,641)</u>	<u>11,718,856</u>
Expenditures:				
Power for resale	8,577,700	8,389,332	188,368	8,057,573
Operations	2,765,500	1,816,532	948,968	1,781,752
Administration	1,000,000	1,000,000	-	1,000,000
Budgetary appropriations:				
Appropriated fund balance	(697,350)	-	(697,350)	-
Proceeds from borrowing	-	(2,900,000)	2,900,000	(15,000)
Debt principal	499,200	500,481	(1,281)	468,398
Interest	558,700	244,489	314,211	223,656
Capital outlay	87,400	88,880	(1,480)	16,852
Increase (decrease) in inventory	-	13,661	(13,661)	(14,026)
Total expenditures	<u>12,791,150</u>	<u>9,153,375</u>	<u>3,637,775</u>	<u>11,519,205</u>
Revenues over (under) expenditures	<u>109,700</u>	<u>3,009,834</u>	<u>2,900,134</u>	<u>199,651</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit D-5,cont.

Page 2 of 2

**Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2009
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Other Financing Sources (Uses):				
Transfer from (to):				
Electric Capital Projects	\$ (109,700)	\$ (109,700)	\$ -	\$ (482,500)
Total other financing sources (uses)	<u>(109,700)</u>	<u>(109,700)</u>	<u>-</u>	<u>(482,500)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 2,900,134	 <u>\$ 2,900,134</u>	 (282,849)
 Reconciliation of Modified Accrual to Full Accrual Basis - Add (deduct):				
Cost of expenditures which were capitalized		88,880		16,852
Water and Wastewater Fund Capital Projects		-		385,000
Payment of debt principal		500,481		468,398
Decrease (increase) in accrued interest expense		(37,750)		(87,805)
Decrease (increase) in accrued vacation		1,397		4,249
Decrease (increase) in other postemployment benefits		(7,119)		-
Increase (decrease) in inventory		13,661		(14,026)
Proceeds from borrowing		(2,900,000)		(15,000)
Depreciation		(545,612)		(554,576)
Transfers (from) to Electric Capital Projects		<u>109,700</u>		<u>482,500</u>
 Income (loss) before operating transfers		 <u>\$ 123,773</u>		 <u>\$ 402,743</u>

NOTE: This schedule is included to show budgetary compliance with the legally adopted budget.

CITY OF NEWTON, NORTH CAROLINA

Exhibit D-6

**Electric Fund Capital Projects
Electric Capital Projects
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2009**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues	\$ 60,800	\$ -	\$ -	\$ -	\$ (60,800)
Expenditures:					
Capital outlay:					
Capital outlay - distribution *	205,000	189,585	-	189,585	15,415
Target Distribution Center	712,400	385,836	243,937	629,773	82,627
Scada System Replacement *	161,950	161,942	-	161,942	8
Electric System Distribution	1,931,050	610,788	21,040	631,828	1,299,223
Jacob's Fork Delivery Station	1,843,300	-	1,698,689	1,698,689	144,611
Generator Relocation *	27,800	-	27,782	27,782	18
Electric Line Ext-Falls Subdivision	119,050	14,548	49,129	63,678	55,372
Electric Infrastructure-Falls Subdivision	90,900	43,991	49,356	93,347	(2,447)
Total expenditures	<u>5,091,450</u>	<u>1,406,689</u>	<u>2,089,933</u>	<u>3,496,623</u>	<u>1,594,827</u>
Revenues over (under) expenditures	(5,030,650)	(1,406,689)	(2,089,933)	(3,496,623)	1,534,027
Other Financing Sources (Uses):					
Interest income	-	-	1,479	1,479	1,479
Proceeds from borrowing	2,813,300	-	-	-	(2,813,300)
Transfer from Water and Wastewater Capital Projects Fund	385,000	385,000	-	385,000	-
Transfer from Electric Fund	<u>1,832,350</u>	<u>1,300,486</u>	<u>109,700</u>	<u>1,410,187</u>	<u>(422,163)</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ 278,797</u>	<u>\$(1,978,754)</u>	<u>\$(1,699,957)</u>	<u>\$(1,699,957)</u>

*Project complete at June 30, 2009

CITY OF NEWTON, NORTH CAROLINA**Exhibit D-7****Health Insurance Internal Service Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2009****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	2009		Variance	2008
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Operating Revenues:				
Contributions	<u>\$ 1,478,100</u>	<u>\$ 1,498,263</u>	<u>\$ 20,163</u>	<u>\$ 1,384,517</u>
Operating Expenditures - Group Insurance:				
Claims paid	1,115,200	851,444	263,756	1,167,658
Claims incurred but not reported	-	93,230	(93,230)	(50,532)
Stop loss insurance fees	238,200	238,155	45	224,626
Administrative charges	126,950	126,572	378	119,313
Professional services	<u>2,000</u>	<u>1,017</u>	<u>983</u>	<u>1,143</u>
Total operating expenditures	<u>1,482,350</u>	<u>1,310,418</u>	<u>171,932</u>	<u>1,462,209</u>
Operating income (loss)	(4,250)	187,845	192,095	(77,692)
Nonoperating Revenues:				
Investment earnings	<u>4,250</u>	<u>7,201</u>	<u>2,951</u>	<u>17,361</u>
Net income (loss)	<u>\$ -</u>	<u>\$ 195,045</u>	<u>\$ 195,045</u>	<u>\$ (60,331)</u>

NOTE: This schedule is included to show budgetary compliance with the legally adopted budget.

CAPITAL ASSETS

**Capital assets are used in the operations of
Governmental Funds.**



CITY OF NEWTON, NORTH CAROLINA**Exhibit E-1****Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Governmental Funds Capital Assets:		
Land	\$ 1,984,609	\$ 1,967,509
Buildings and improvements	6,453,799	5,562,296
Equipment	1,414,507	1,550,901
Vehicles	5,981,390	5,377,819
Distribution system	589,680	589,680
Public domain infrastructure	3,894,343	3,348,544
Construction in progress	<u>2,372,702</u>	<u>3,026,802</u>
Total governmental funds capital assets	<u>\$ 22,691,030</u>	<u>\$ 21,423,551</u>
Investments in Governmental Funds Capital Assets by Sources:		
Assets purchased prior to 1984 - 85 from undetermined sources	\$ 4,848,635	\$ 4,848,635
General fund	10,541,916	9,926,417
Special revenue fund	1,441,717	1,283,663
Capital projects fund	4,502,066	4,025,240
Donations	<u>1,356,696</u>	<u>1,339,596</u>
Total investments in governmental funds capital assets by sources	<u>\$ 22,691,030</u>	<u>\$ 21,423,551</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit E-2
Page 1 of 2

Capital Assets Used in the Operation of Governmental Funds
Schedule of Function and Activity
June 30, 2009

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Distributions</u>	<u>Public Domain Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government:								
Governing body	\$ 89,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,300
Finance	-	-	13,696	18,109	-	-	527,739	559,544
Finance - technology	-	-	177,225	-	-	-	-	177,225
Public works administration	260,505	974,613	227,409	40,392	-	-	-	1,502,919
Public works garage	-	81,781	37,343	12,360	-	-	-	131,484
Municipal building	579,525	1,932,314	28,011	-	-	-	-	2,539,850
Planning and code enforcement	26,900	-	-	25,925	-	-	-	52,825
Total general government	956,230	2,988,708	483,684	96,786	-	-	527,739	5,053,147
Public Safety:								
Police	-	283,938	103,202	1,358,875	-	-	-	1,746,015
Fire	44,710	602,656	48,118	1,632,716	-	-	-	2,328,200
Fire - county	-	313,148	120,270	1,002,104	-	-	-	1,435,522
Total public safety	44,710	1,199,742	271,590	3,993,695	-	-	-	5,509,737
Transportation:								
Public works - street and drainage	35,106	-	187,197	456,445	420,323	3,248,296	1,088,348	5,435,715
Planning and code enforcement - parking	-	-	-	-	-	29,000	-	29,000
Powell Bill	17,000	-	84,873	271,972	169,357	617,047	-	1,160,249
Total transportation	52,106	-	272,070	728,417	589,680	3,894,343	1,088,348	6,624,964

cont.

CITY OF NEWTON, NORTH CAROLINA

Exhibit E-2, cont.
Page 2 of 2

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Function and Activity
June 30, 2009**

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Distributions</u>	<u>Public Domain Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
Environmental Protection:								
Public works - sanitation	\$ -	\$ -	\$ 44,412	\$ 1,008,419	\$ -	\$ -	\$ -	\$ 1,052,831
Total environmental protection	-	-	44,412	1,008,419	-	-	-	1,052,831
Cultural and Recreational:								
Recreation administration	148,200	797,978	39,210	108,809	-	-	-	1,094,197
East Newton Recreation Center	31,000	533,413	8,580	-	-	-	-	572,993
Swimming pool	-	138,408	17,850	-	-	-	-	156,258
Parks	74,900	795,550	223,233	29,991	-	-	756,615	1,880,289
Community appearance	677,463	-	53,878	15,273	-	-	-	746,614
Total cultural and recreational	931,563	2,265,349	342,751	154,073	-	-	756,615	4,450,351
Total governmental funds capital assets	\$ 1,984,609	\$ 6,453,799	\$ 1,414,507	\$ 5,981,390	\$ 589,680	\$ 3,894,343	\$ 2,372,702	\$ 22,691,030

CITY OF NEWTON, NORTH CAROLINA

Exhibit E-3

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Fiscal Year Ended June 30, 2009**

	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2008	Additions	Deductions	June 30, 2009
General Government:				
Governing body	\$ 89,300	\$ -	\$ -	\$ 89,300
Finance	421,264	138,280	-	559,544
Finance - purchasing	13,360	-	(13,360)	-
Finance - technology	221,107	-	(43,883)	177,224
Public works administration	1,530,612	-	(27,694)	1,502,918
Public work garage	131,484	-	-	131,484
Municipal building	2,267,778	272,071	-	2,539,849
Planning and code enforcement	54,731	17,100	(19,003)	52,828
Total general government	<u>4,729,636</u>	<u>427,451</u>	<u>(103,940)</u>	<u>5,053,147</u>
Public Safety:				
Police	1,805,440	40,608	(100,032)	1,746,016
Fire	1,974,530	474,512	(120,843)	2,328,199
Fire - county	1,435,522	-	-	1,435,522
Total public safety	<u>5,215,492</u>	<u>515,120</u>	<u>(220,875)</u>	<u>5,509,737</u>
Transportation:				
Public works - street and drainage	5,062,221	515,076	(141,581)	5,435,716
Planning and code enforcement - parking	29,000	-	-	29,000
Powell Bill	1,160,248	-	-	1,160,248
Total transportation	<u>6,251,469</u>	<u>515,076</u>	<u>(141,581)</u>	<u>6,624,964</u>
Environmental Protection:				
Public works - sanitation	<u>785,277</u>	<u>329,518</u>	<u>(61,964)</u>	<u>1,052,831</u>
Cultural and Recreational:				
Recreation administration	1,094,198	-	-	1,094,198
East Newton Recreation Center	572,993	-	-	572,993
Swimming pool	156,258	-	-	156,258
Parks	1,880,936	-	(648)	1,880,288
Community appearance	737,294	9,320	-	746,614
Total cultural and recreational	<u>4,441,679</u>	<u>9,320</u>	<u>(648)</u>	<u>4,450,351</u>
Total governmental funds capital assets	<u>\$ 21,423,551</u>	<u>\$1,796,485</u>	<u>\$ (529,008)</u>	<u>\$ 22,691,030</u>

OTHER SCHEDULES

This section contains additional information required on property taxes and transfers.

- **Schedule of Ad Valorem Taxes Receivable**
 - **Analysis of Current Tax Levy**
-

CITY OF NEWTON, NORTH CAROLINA

Exhibit F-1

**Schedule of Ad Valorem Taxes Receivable
June 30, 2009**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008 - 2009	\$ -	\$ 4,727,721	\$ 4,543,983	\$ 183,738
2007 - 2008	182,309	-	115,818	66,491
2006 - 2007	83,870	-	20,514	63,356
2005 - 2006	42,911	-	11,927	30,984
2004 - 2005	34,947	-	9,093	25,854
2003 - 2004	31,309	-	6,841	24,468
2002 - 2003	27,908	-	4,576	23,332
2001 - 2002	39,384	-	4,461	34,923
2000 - 2001	26,883	-	418	26,465
1999 - 2000	18,585	-	149	18,436
1998 - 1999	19,302	-	19,302	-
Total	<u>\$ 507,407</u>	<u>\$ 4,727,721</u>	<u>\$ 4,737,082</u>	498,046
Less allowance for uncollectibles				<u>37,005</u>
Balance				<u>\$ 461,041</u>
Reconcilement With Revenue:				
Taxes - Ad valorem - General Fund				\$ 4,778,069
Taxes written off				18,436
Miscellaneous				(18,600)
Interest collected				<u>(40,822)</u>
Total collections and credits				<u>\$ 4,737,082</u>

CITY OF NEWTON, NORTH CAROLINA

Exhibit F-2

**Analysis of Current Tax Levy
June 30, 2009**

	City Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 900,817,318	0.48	\$ 4,365,169	\$ 4,365,169	\$ -
Motor vehicles taxed at current					
Year rate	69,845,067	0.48	329,738	-	329,738
MSD	-	0.15	-	-	-
Penalties	-		7,224	7,224	-
Total	<u>970,662,385</u>		<u>4,702,131</u>	<u>4,372,393</u>	<u>329,738</u>
Discoveries:					
Current year taxes	6,388,447		30,665	30,665	-
Prior year taxes	656,506		3,003	3,003	-
MSD	51,572		77	77	-
Penalties	-		3,866	3,866	-
Total	<u>7,096,525</u>		<u>37,611</u>	<u>37,611</u>	<u>-</u>
Releases:					
Property					
Current year	(716,808)		(3,429)	(3,429)	-
Prior year	(17,461)		(80)	(80)	-
Motor vehicles					
Current year	(1,355,648)		(6,507)	-	(6,507)
Prior year	(408,218)		(1,875)	-	(1,875)
MSD	-		(130)	(130)	-
Penalties	-		(130)	(130)	-
Total	<u>(2,498,135)</u>		<u>(12,021)</u>	<u>(3,639)</u>	<u>(8,382)</u>
Total property valuation	<u>\$ 975,260,775</u>				
Net levy			4,727,721	4,406,365	321,356
Less uncollected taxes at June 30, 2009			<u>(183,738)</u>	<u>(109,273)</u>	<u>(74,465)</u>
Current year's taxes collected			<u>\$ 4,543,983</u>	<u>\$ 4,297,092</u>	<u>\$ 246,891</u>
Current levy collection percentage			<u>96.11%</u>	<u>97.52%</u>	<u>76.83%</u>



STATISTICAL SECTION (Unaudited)

This part of the City of Newton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



CITY OF NEWTON, NORTH CAROLINA

Table 1

**Net Assets by Component
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities:							
Invested in capital assets, net of related debt	\$ 3,391,032	\$ 3,764,819	\$ 4,143,227	\$ 4,926,632	\$ 5,716,932	\$ 6,427,305	\$ 6,559,160
Restricted	5,348	772,989	81,284	292,458	131,234	250,152	159,090
Unrestricted	3,772,672	3,146,362	4,537,617	4,034,295	4,675,329	4,200,628	4,136,962
Total governmental activities net assets	<u>\$ 7,169,051</u>	<u>\$ 7,684,170</u>	<u>\$ 8,762,128</u>	<u>\$ 9,253,385</u>	<u>\$ 10,523,496</u>	<u>\$ 10,878,085</u>	<u>\$ 10,855,212</u>
Business-type Activities:							
Invested in capital assets, net of related debt	\$ 20,640,402	\$ 22,470,306	\$ 24,986,710	\$ 25,061,497	\$ 25,436,728	\$ 28,311,430	\$ 28,914,131
Restricted	-	-	-	-	-	-	-
Unrestricted	4,597,560	2,147,527	3,250,499	2,935,057	2,636,122	1,012,074	1,620,541
Total business-type activities net assets	<u>\$ 25,237,962</u>	<u>\$ 24,617,833</u>	<u>\$ 28,237,209</u>	<u>\$ 27,996,554</u>	<u>\$ 28,072,850</u>	<u>\$ 29,323,504</u>	<u>\$ 30,534,672</u>
Primary Government:							
Invested in capital assets, net of related debt	\$ 24,031,434	\$ 26,235,125	\$ 29,129,937	\$ 29,988,129	\$ 31,153,660	\$ 34,738,735	\$ 35,473,291
Restricted	5,348	772,989	81,284	292,458	131,234	250,152	159,090
Unrestricted	8,370,232	5,293,889	7,788,116	6,969,352	7,311,451	5,212,702	5,757,503
Total primary government net assets	<u>\$ 32,407,014</u>	<u>\$ 32,302,003</u>	<u>\$ 36,999,337</u>	<u>\$ 37,249,939</u>	<u>\$ 38,596,346</u>	<u>\$ 40,201,589</u>	<u>\$ 41,389,884</u>

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 1 of 3

Change in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses:							
Governmental activities:							
General government	\$ 970,935	\$ 1,234,061	\$ 1,426,533	\$ 1,424,397	\$ 1,385,640	\$ 1,661,543	\$ 1,678,411
Public safety	3,634,412	3,885,286	4,165,136	4,731,304	4,626,004	4,714,227	4,982,326
Transportation	909,448	902,604	823,558	681,982	857,363	976,990	1,004,258
Environmental protection	832,970	836,748	799,823	781,433	874,193	901,985	935,190
Cultural and recreational	969,275	946,786	1,279,295	1,465,194	1,312,900	1,451,556	1,526,225
Economic and physical development	292,287	108,202	-	2,206	-	3,000	271,659
Interest on long-term debt	129,118	90,250	115,869	105,513	97,610	170,515	173,087
Total governmental activities expense	7,738,445	8,003,937	8,610,214	9,192,029	9,153,710	9,879,818	10,571,155
Business-type activities:							
Water and Wastewater	4,266,119	4,894,891	4,639,000	4,504,122	5,200,144	5,748,155	5,695,133
Electric	9,443,680	9,493,867	9,565,717	10,457,559	11,514,375	11,701,113	12,039,436
Total business-type activities expenses	13,709,799	14,388,758	14,204,717	14,961,681	16,714,519	17,449,269	17,734,569
Total primary government expenses	\$ 21,448,244	\$ 22,392,695	\$ 22,814,931	\$ 24,153,711	\$ 25,868,230	\$ 27,329,086	\$ 28,305,725
Program Revenues:							
Governmental activities:							
Charges for services							
General government	\$ 469,707	\$ 531,006	\$ 634,635	\$ 609,335	\$ 488,684	\$ 520,456	\$ 499,368
Public safety	46,405	45,472	76,622	95,949	117,418	120,337	205,268
Transportation	2,423	5,423	2,868	12,749	19,437	13,494	4,514
Environmental protection	359,078	350,376	418,224	366,593	487,772	476,222	587,051
Cultural and recreational	54,892	59,659	69,686	86,369	92,469	87,959	119,893
Economic and physical development	12,826	10,666	17,160	18,517	17,355	20,883	14,889
Operating grants and contributions	752,682	468,593	435,184	432,563	425,414	477,979	479,868
Capital grants and contributions	-	371,676	388,724	704,064	722,633	13,938	31,508
Total governmental activities program revenues	1,698,013	1,842,871	2,043,103	2,326,139	2,371,182	1,731,268	1,942,359

cont.

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 2 of 3, cont.

**Change in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Business-type activities:							
Charges for services - Water and Wastewater	\$ 3,836,745	\$ 3,683,406	\$ 5,274,509	\$ 3,890,343	\$ 4,352,866	\$ 4,433,887	\$ 5,094,620
Charges for services - Electric	8,522,443	8,831,484	9,071,578	9,654,266	10,819,757	11,323,152	11,796,063
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	174,979	3,463,731	289,500	277,115	2,050,276	1,179,515
Total business-type activities program revenues	<u>12,359,188</u>	<u>12,689,869</u>	<u>17,809,818</u>	<u>13,834,109</u>	<u>15,449,738</u>	<u>17,807,315</u>	<u>18,070,198</u>
Total primary government program revenues	<u>\$ 14,057,201</u>	<u>\$ 14,532,740</u>	<u>\$ 19,852,921</u>	<u>\$ 16,160,248</u>	<u>\$ 17,820,920</u>	<u>\$ 19,538,583</u>	<u>\$ 20,012,557</u>
Net revenue (expense)							
Governmental activities	\$ (6,040,432)	\$ (6,161,066)	\$ (6,567,112)	\$ (6,865,890)	\$ (6,782,528)	\$ (8,148,550)	\$ (8,628,797)
Business-type activities	<u>(1,350,611)</u>	<u>(1,698,889)</u>	<u>3,605,100</u>	<u>(1,127,572)</u>	<u>(1,264,781)</u>	<u>358,046</u>	<u>335,628</u>
Total primary government net expense	<u>\$ (7,391,043)</u>	<u>\$ (7,859,955)</u>	<u>\$ (2,962,012)</u>	<u>\$ (7,993,462)</u>	<u>\$ (8,047,309)</u>	<u>\$ (7,790,504)</u>	<u>\$ (8,293,169)</u>
General Revenues and Other Changes in Net Assets:							
Governmental activities:							
Ad valorem taxes	\$ 4,001,727	\$ 3,778,514	\$ 3,698,001	\$ 3,720,668	\$ 4,113,459	\$ 4,472,139	\$ 4,768,707
Local option sales tax	2,135,815	2,409,606	2,553,873	2,640,648	2,906,030	2,979,005	2,717,347
Franchise tax	688,756	646,646	695,351	676,425	707,527	735,324	768,977
Other taxes and licenses	207,893	219,616	245,099	291,783	295,132	332,767	354,549
Unrestricted investment earnings	43,327	46,339	55,401	151,292	211,644	144,014	37,402
Miscellaneous	84,786	177,866	(88,807)	77,979	98,748	(16,610)	173,943
Transfers	<u>(602,400)</u>	<u>(602,400)</u>	<u>486,150</u>	<u>(201,650)</u>	<u>(279,900)</u>	<u>(143,500)</u>	<u>(215,000)</u>
Total governmental activities	<u>6,559,904</u>	<u>6,676,187</u>	<u>7,645,068</u>	<u>7,357,145</u>	<u>8,052,640</u>	<u>8,503,139</u>	<u>8,605,925</u>

cont.

CITY OF NEWTON, NORTH CAROLINA

Table 2, page 3 of 3, cont.

Change in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Business-type activities:							
Other taxes and licenses	\$ 239,664	\$ 245,631	\$ 257,235	\$ 272,619	\$ 302,426	\$ 293,824	\$ 285,311
Unrestricted investment earnings	67,722	42,165	116,662	122,910	156,135	91,899	20,600
Miscellaneous	175,782	188,564	126,529	289,739	602,615	363,383	354,628
Transfers	602,400	602,400	(486,150)	201,650	279,900	143,500	215,000
Total business-type activities	1,085,568	1,078,760	14,276	886,918	1,341,076	892,606	875,540
Total primary government	\$ 7,645,472	\$ 7,754,947	\$ 7,659,344	\$ 8,244,063	\$ 9,393,716	\$ 9,395,745	\$ 9,481,465
Change in Net Assets:							
Governmental activities	\$ 519,472	\$ 515,121	\$ 1,077,957	\$ 491,256	\$ 1,270,110	\$ 354,589	\$ (22,873)
Business-type activities	(265,043)	(620,129)	3,619,376	(240,654)	76,296	1,250,654	1,211,168
Total primary government	\$ 254,428	\$ (105,008)	\$ 4,697,333	\$ 250,602	\$ 1,346,406	\$ 1,605,243	\$ 1,188,296

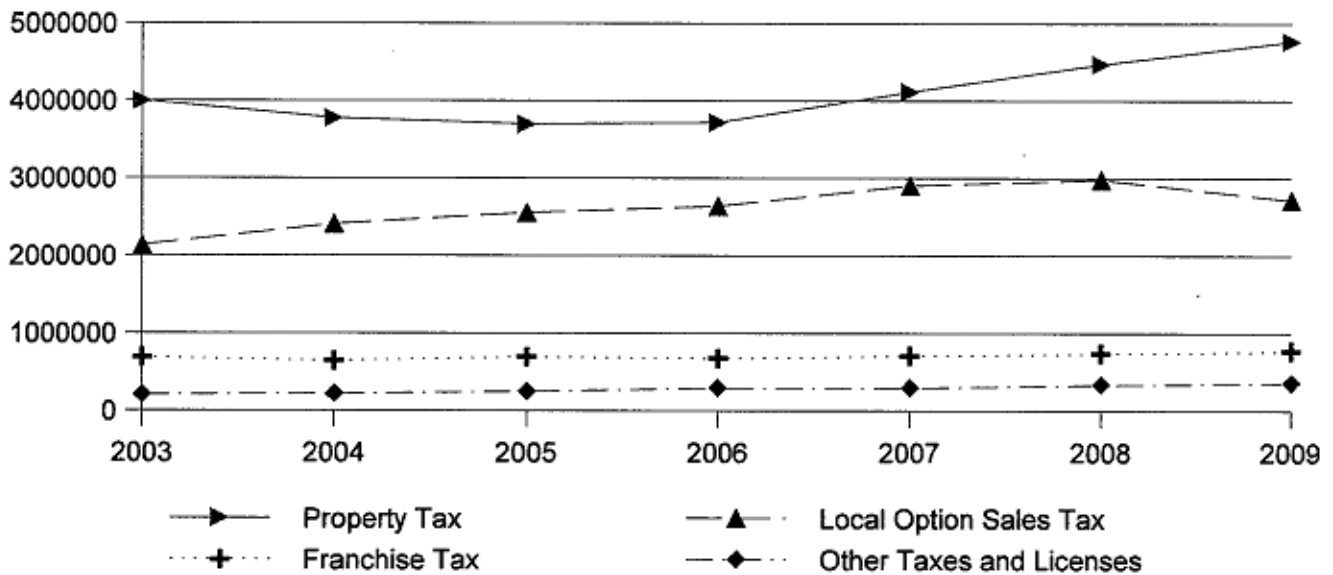
Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 3

Governmental Activities Tax Revenues By Source Last Seven Fiscal Years (Accrual Basis of Accounting) (Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Option Sales Tax</u>	<u>Franchise Tax</u>	<u>Other Taxes and Licenses</u>	<u>Total</u>
2003	\$4,001,727	\$2,135,815	\$688,756	\$207,893	\$7,034,191
2004	3,778,514	2,409,606	646,646	219,616	7,054,382
2005	3,698,001	2,553,873	695,351	245,099	7,192,324
2006	3,720,668	2,640,648	676,425	291,783	7,329,524
2007	4,113,459	2,906,030	707,527	295,132	8,022,148
2008	4,472,139	2,979,005	735,324	332,767	8,519,235
2009	4,768,707	2,717,347	768,977	354,549	8,609,580



Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 4

**Fund Balances, Governmental Funds
Last Seven Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:							
Reserved	\$ 883,121	\$ 826,306	\$ 1,100,625	\$ 1,282,401	\$ 1,070,027	\$ 1,482,789	\$ 1,116,288
Unreserved:							
Designated	126,100	441,150	240,400	129,350	23,300	275,500	11,018
Undesignated	2,916,255	2,477,132	2,208,343	2,262,782	2,842,104	2,353,432	2,694,337
Total general fund	<u>\$ 3,925,476</u>	<u>\$ 3,744,588</u>	<u>\$ 3,549,368</u>	<u>\$ 3,674,533</u>	<u>\$ 3,935,431</u>	<u>\$ 4,111,721</u>	<u>\$ 3,821,643</u>
All Other Governmental Funds:							
Unreserved, reported in:							
Special revenue funds	\$ -	\$ -	\$ 39,497	\$ (6,175)	\$ 60	\$ 115,667	\$ (4,758)
Capital projects funds	5,348	772,989	1,402,999	1,261,978	947,145	1,132,305	562,662
Total all other governmental funds	<u>\$ 5,348</u>	<u>\$ 772,989</u>	<u>\$ 1,442,496</u>	<u>\$ 1,255,803</u>	<u>\$ 947,205</u>	<u>\$ 1,247,972</u>	<u>\$ 557,904</u>

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 5, page 1 of 2

Changes in Fund Balances, Governmental Funds Last Seven Fiscal Years (Modified Basis of Accounting) (Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues:							
Ad valorem taxes	\$ 3,658,535	\$ 3,829,540	\$ 3,664,645	\$3,670,356	\$ 4,050,291	\$ 4,438,510	\$ 4,778,068
Other taxes and licenses	2,343,708	2,629,222	2,798,972	2,932,431	3,201,162	3,311,772	3,078,204
Unrestricted intergovernmental	1,122,120	1,001,680	1,020,831	1,185,506	1,164,637	1,118,050	1,191,910
Restricted intergovernmental	593,211	654,862	454,422	724,477	679,678	529,144	513,078
Permits and fees	81,298	82,783	79,227	81,692	99,347	96,389	93,689
Sales and services	425,913	409,077	509,650	499,619	590,302	585,753	695,115
Investment earnings	43,398	46,339	55,404	151,292	211,644	144,014	37,581
Other revenues	161,353	221,345	674,319	511,270	462,232	165,048	219,541
Total revenues	8,429,536	8,874,848	9,257,470	9,756,643	10,459,293	10,388,680	10,607,185
Expenditures:							
General government	1,130,728	1,236,804	1,397,385	1,347,987	1,340,147	1,653,311	1,509,016
Public safety	3,414,920	3,599,405	3,804,083	4,376,593	4,251,032	4,317,743	4,613,889
Transportation	711,991	814,605	737,015	597,820	759,744	872,692	893,155
Environmental protection	805,501	795,529	733,462	716,224	790,997	819,716	848,560
Cultural and recreational	925,599	986,740	1,240,124	1,442,367	1,272,118	1,411,037	1,480,708
Economic and physical development	75,149	241,687	797,300	788,336	1,007,041	908,077	920,126
Capital outlay	89,360	977,606	1,084,981	692,765	561,323	673,591	1,002,279
Debt service:							
Principal	572,860	548,113	1,813,797	449,670	486,407	566,692	792,708
Interest	88,117	68,495	87,249	102,507	106,265	125,270	161,982
Total expenditures	7,814,225	9,268,984	11,695,396	10,514,269	10,575,074	11,348,129	12,222,422
Revenues over (under) expenditures	615,311	(394,136)	(2,437,926)	(757,626)	(115,781)	(959,449)	(1,615,237)

cont.

CITY OF NEWTON, NORTH CAROLINA

Table 5, page 2 of 2, cont.

Changes in Fund Balances, Governmental Funds Last Seven Fiscal Years (Modified Basis of Accounting) (Unaudited)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Other Financing Sources (Uses):							
Proceeds from borrowing	\$ 292,250	\$ 1,467,850	\$ 2,399,112	\$ 906,700	\$ 247,600	\$ 1,554,750	\$ 823,000
Other miscellaneous receipts	-	-	-	-	100,000	-	57,626
Transfers in	3,641	158,200	1,586,000	465,794	404,900	1,208,843	215,650
Transfers out	(604,285)	(760,600)	(1,099,850)	(667,444)	(684,800)	(1,352,343)	(430,650)
Capital contributions	-	121,676	-	-	-	-	-
Total other financing sources (uses)	<u>(308,394)</u>	<u>987,126</u>	<u>2,885,262</u>	<u>705,050</u>	<u>67,700</u>	<u>1,411,250</u>	<u>665,626</u>
Net change in fund balances	\$ 306,917	\$ 592,991	\$ 447,336	\$ (52,576)	\$ (48,081)	\$ 451,801	\$ (949,611)
Debt service as a percentage of non-capital project expenditures	9.5%	7.3%	19.7%	6.0%	7.0%	7.6%	10.1%

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 6

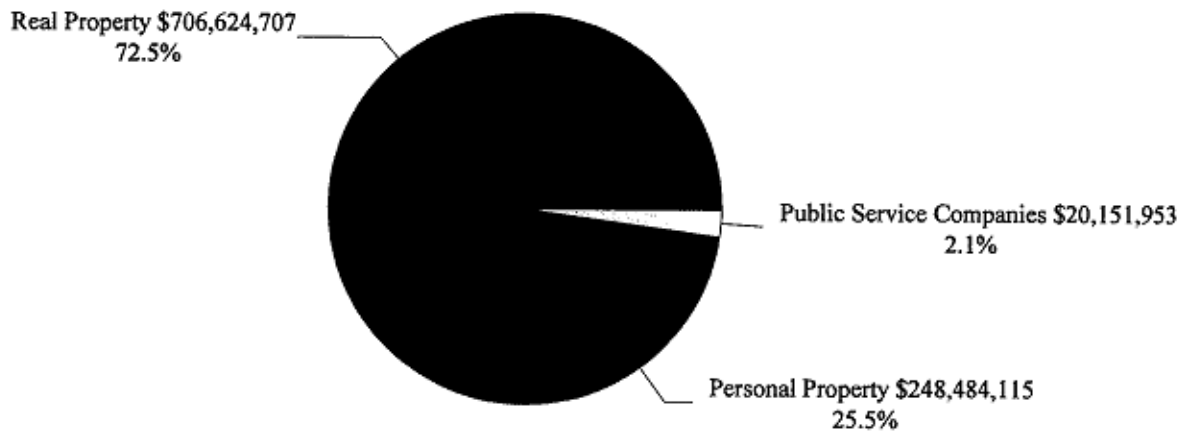
Assessed Value of Taxable Property Last Seven Fiscal Years (Unaudited)

Fiscal Year	Assessed Value (1)				Property Tax Rate (Per \$100 Assessed Value)	Percent Increase in Value (2)
	Real Property	Personal Property (3)	Public Service Companies	Total		
2003	\$562,264,385	\$217,946,853	\$19,232,429	\$799,443,667	0.47	0.0%
2004(2)	633,344,247	207,284,243	19,638,863	860,267,353	0.44	7.6%
2005	643,469,380	190,257,576	18,612,781	852,339,737	0.44	(0.9)%
2006	653,098,799	185,603,814	18,714,292	857,416,905	0.44	0.6%
2007	672,011,755	201,670,887	20,704,568	894,387,210	0.46	4.3%
2008(2)	696,935,560	238,549,720	20,026,093	955,511,373	0.48	6.8%
2009	706,624,707	248,484,115	20,151,953	975,260,775	0.48	2.1%

Notes:

- (1) Assessed value is established by Catawba County Assessor's office.
- (2) North Carolina General Statutes requires that a reappraisal of real property be conducted every eight years. A revaluation of real property is conducted every four years for the City of Newton.
- (3) Includes vehicles.

Information not available for 2000-2002.



CITY OF NEWTON, NORTH CAROLINA**Table 7****Property Tax Rates - Direct and Overlapping Governments
Last Seven Fiscal Years
(Unaudited)**

Fiscal Year	City of Newton	Catawba County	Total City and County Rate
2003	0.470	0.495	0.965
2004	0.440	0.480	0.920
2005	0.440	0.480	0.920
2006	0.440	0.490	0.930
2007	0.460	0.490	0.950
2008	0.480	0.535	1.015
2009	0.480	0.535	1.015

Other Tax Data:

Tax rates are established on a per \$100 valuation basis and are levied on July 1, the first day of the fiscal year.

There is a State statutory tax rate limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax, which may be levied for debt service.

The City has no financial responsibility for the public school system. The school system is funded with revenue derived from the County, State and Federal governments.

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 8

Principal Property Taxpayers Six Years Ago and Current Year (Unaudited)

Taxpayer	Type of Enterprise	2009			2003		
		Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Flowers Baking Co.	Bread and Pastries	\$ 37,019,441	1	3.80	\$ -	-	-
ZF Lemforder Corp	Automotive Prod Manufacturing	27,701,611	2	2.84	-	-	-
Comm Scope, Inc.	Fiber	15,908,741	3	1.63	31,876,687	1	4.03
Midstate Mills	Flour Mill	13,927,756	4	1.43	9,926,678	6	1.25
Regions Equipment Finance, Ltd.	Business Personal Property	13,856,132	5	1.42	-	-	-
Williamette Industries, Inc.	Paper Products	11,383,223	6	1.17	11,343,934	3	1.43
Sarstedt, Inc.	Pharmaceutical Plastic	9,622,995	7	0.99	7,468,007	9	0.94
Bassett Furniture Industries	Furniture Manufacturing	9,291,751	8	0.96	11,031,480	4	1.39
Peoples Bank	Banking Services	9,104,024	9	0.93	8,468,463	8	1.07
Technibilt, LTD	Shopping Cart Manufacturing	8,629,330	10	0.88	8,629,645	7	1.09
Bell South Telephone Co.	Utility	-	-	-	10,068,409	5	1.27
Carolina Mills	Textiles	-	-	-	13,063,164	2	1.65
Hickory Springs Mfg. Co.	Foam Manufacturer	-	-	-	7,336,908	10	0.93
Total		\$156,445,004		16.05	\$119,213,375		15.05



Flowers Baking Co.
Midstate Mills
Sarstedt, Inc.
Technibilt, LTD

ZF Lemforder Corp
Region Equipment Finance, Ltd.
Bassett Furniture Industries

Comm Scope, Inc.
Williamette Industries, Inc.
Peoples Bank

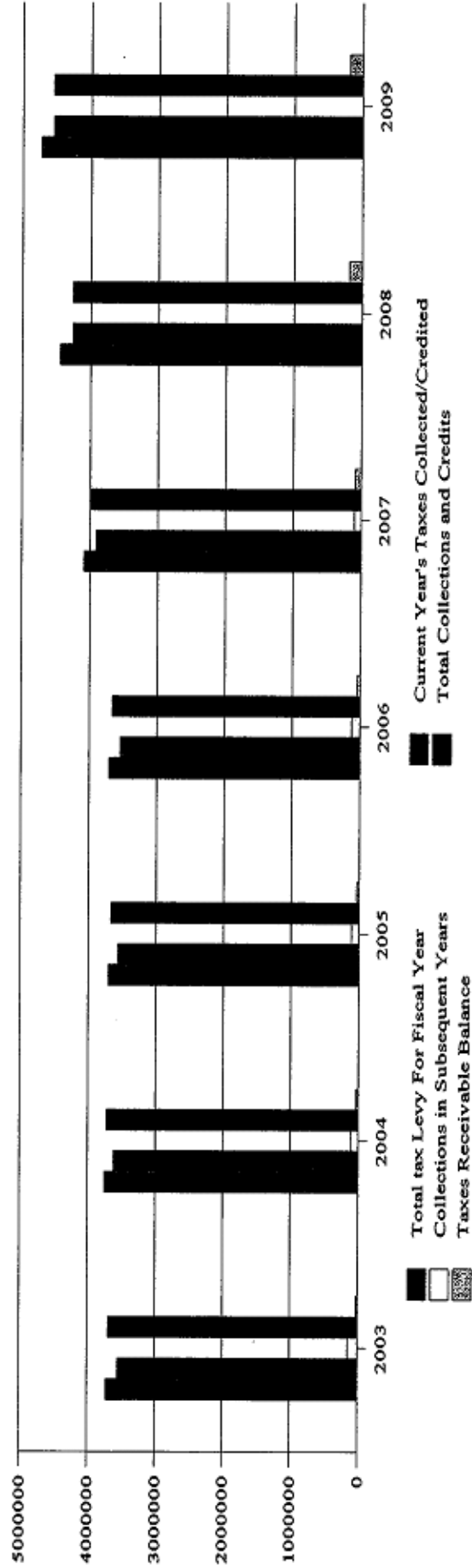
Information not available for nine (9) years ago.

CITY OF NEWTON, NORTH CAROLINA

Table 9

Property Tax Levies and Collections Last Seven Fiscal Years (Unaudited)

Fiscal Year	Total Tax Levy for Fiscal Year	Current Year's Taxes Collected/Credited	Percentage of Levy Collected	Collections in Subsequent Years	Total Collections and Credits	Percentage of Total Tax Collections to Net Levy	Taxes Receivable Balance June 30 (1)
2003	\$3,718,411	\$3,547,874	95.41	\$147,205	\$3,695,079	99.25	\$ 27,908
2004	3,751,655	3,617,223	96.42	109,964	3,727,187	99.17	31,309
2005	3,699,109	3,558,506	96.20	114,749	3,673,255	99.06	34,947
2006	3,701,519	3,539,881	95.63	130,654	3,670,535	98.84	42,911
2007	4,090,445	3,909,686	95.58	117,403	4,027,089	97.95	83,870
2008	4,445,586	4,263,276	95.90	115,818	4,379,094	95.90	182,309
2009	4,727,721	4,543,983	96.11	-	4,543,983	96.11	183,738



Notes:(1) Includes current portion only of taxes receivable.
Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA**Table 10****Electricity Sold by Type of Customer
Last Seven Fiscal Years
(in millions of kWh)
(Unaudited)**

Fiscal Year	Type of Customer			Total
	<u>Residential</u>	<u>Industrial</u>	<u>Commerical</u>	
2003	43.0	31.8	39.2	114.0
2004	43.3	32.3	39.8	115.4
2005	41.4	32.8	40.4	114.6
2006	44.8	35.0	40.7	120.5
2007	45.8	49.2	41.4	136.4
2008	47.5	52.9	40.6	141.0
2009	47.9	50.7	42.6	141.2

Source: City of Newton Utility Billing

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 11

**Electricity Rates
Last Seven Fiscal Years
(Unaudited)**

Residential Fiscal Year	Basic Facilities	Rate per kWh 1st 350	Rate per kWh next 950	Rate per kWh over 1300
2003	8.45	0.07145	0.08031	0.07229
2004	8.62	0.07288	0.08191	0.07373
2005	8.80	0.07434	0.08355	0.07521
2006	8.89	0.07508	0.08439	0.07596
2007	9.08	0.07666	0.08616	0.07756
2008	9.35	0.07896	0.08875	0.07988
2009	9.63	0.08133	0.09141	0.08228

Industrial Fiscal Year	Basic Facilities	Demand over 30 KW (per KW)	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2003	17.50	5.65	0.09971	0.05452	0.04778
2004	17.85	5.76	0.10171	0.05561	0.04873
2005	18.20	5.90	0.10374	0.05673	0.04971
2006	18.38	5.96	0.10478	0.05729	0.05021
2007	18.77	6.09	0.10698	0.05850	0.05126
2008	19.15	6.18	0.10912	0.05967	0.05229
2009	19.53	6.30	0.11130	0.06086	0.05333

Commercial Fiscal Year	Basic Facilities	Demand over 30 KW (per KW)	Rate per kWh 1st 3000	Rate per kWh next 9000	Rate per kWh over 12000
2003	11.25	6.20	0.10039	0.05272	0.04755
2004	11.58	6.32	0.10240	0.05378	0.04850
2005	11.81	6.45	0.10444	0.05485	0.04947
2006	11.93	6.51	0.10549	0.05540	0.04997
2007	12.18	6.65	0.10771	0.05656	0.05102
2008	12.55	6.85	0.11094	0.05826	0.05255
2009	12.93	7.05	0.11426	0.06001	0.05412

Source: City of Newton Utility Billing
Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 12

**Ratios of Outstanding Debt by Type
Last Seven Fiscal Years
(Unaudited)**

Fiscal Year	Governmental Activities		Business-type Activities		Total Government	Per Capita(1)(2)
	General Obligation Bonds	Loans Payable	General Obligation Bonds	Loans Payable		
2003	\$ 278,730	\$ -	\$ 3,636,270	\$ 348,481	\$ 4,263,481	\$ 328
2004	228,704	2,268,005	3,166,296	10,100,857	15,763,862	1,218
2005	179,945	2,705,077	2,705,055	14,508,904	20,098,981	1,548
2006	132,077	3,406,977	2,252,924	17,272,816	23,064,794	1,764
2007	98,102	3,202,144	1,821,898	16,428,141	21,550,285	1,629
2008	74,088	4,214,217	1,375,912	14,856,831	20,521,048	1,514
2009	50,329	4,268,268	934,671	17,749,555	23,002,823	1,683

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics for the population data.

(2) % of personal income cannot be calculated because separate personal income data is not available for the City of Newton.

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 13

Ratios of General Bonded Debt Outstanding
Last Seven Fiscal Years
(Unaudited)

Fiscal Year	Population(1)	Total Assessed Value	Gross Bonded Debt	Less: Debt Payable From Enterprise Revenues	Total General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2003	12,988	\$ 799,443,667	\$ 3,915,000	\$ 3,636,270	\$ 278,730	0.03	\$ 21
2004	12,939	860,257,353	3,395,000	3,166,296	228,704	0.03	18
2005	12,986	852,239,737	2,885,000	2,705,054	179,946	0.02	14
2006	13,075	857,416,905	2,385,000	2,252,923	132,077	0.02	10
2007	13,229	894,387,210	1,920,000	1,821,898	98,102	0.01	7
2008	13,554	955,511,373	1,450,000	1,375,912	74,088	0.01	5
2009	13,670	975,260,775	985,000	934,671	50,329	0.01	4

(1) North Carolina Office of State Budget and Management.

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA**Table 14****Direct and Overlapping Government Activities Debt
June 30, 2009
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County of Catawba	\$ 130,663,312	6.47%	\$ 8,456,647
Subtotal, overlapping debt			<u>8,456,647</u>
City of Newton direct debt			<u>50,329</u>
Total direct and overlapping debt			<u>\$ 8,506,976</u>

Note: The percentage of overlapping debt is based on the June 30, 2009 assessed valuation of the County of Catawba of \$15,068,712,596 as compared to the June 30, 2009 assessed valuation for the City of Newton of \$975,260,775.

CITY OF NEWTON, NORTH CAROLINA

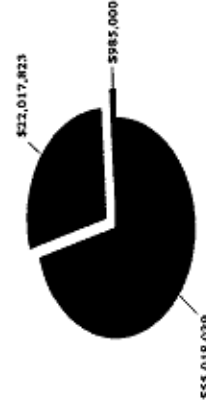
Table 15

Legal Debt Margin Information Last Seven Fiscal Years (Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Assessed value of taxable property	\$799,443,667	\$860,257,353	\$852,339,737	\$857,416,905	\$894,387,210	\$955,511,373	\$975,260,775
Debt limit, 8% of assessed value (statutory limitation)	\$ 63,955,493	\$ 68,820,588	\$ 68,187,179	\$ 68,593,352	\$ 71,550,977	\$ 76,440,910	\$ 78,020,862
Debt applicable to limit:							
General obligation bonds	3,915,000	3,395,000	2,885,000	2,385,000	1,920,000	1,450,000	985,000
Loans payable	8,120,037	12,368,863	17,410,984	20,679,793	19,630,285	19,071,048	22,017,823
Total net debt applicable to limit	12,035,037	15,763,863	20,295,984	23,064,793	21,550,285	20,521,048	23,002,823
Legal debt margin	\$ 51,920,456	\$ 53,056,725	\$ 47,891,195	\$ 45,528,559	\$ 50,000,692	\$ 55,919,862	\$ 55,018,039
Total net debt applicable to the limit as a percentage of debt limit	1.51%	1.83%	2.38%	2.69%	2.41%	2.15%	2.36%

Note: NC Statute GS 159-55 limits the City's outstanding debt to 8% of the appraised value of property subject to taxation.

Legal Debt Margin



■ Bonded Debt ■ Loans Payable ■ Legal Debt Margin

Information not available for
2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 16

Bond Coverage
Combined Enterprise System Bonds
Last Seven Fiscal Years
(Unaudited)

Fiscal Year	Revenue		Less		Income		Total		Principal	Interest	Coverage
	Available for Debt Service	\$	Expenses	\$	Available for Debt Service	\$	Debt Service	\$			
2003	3,942,848	\$	2,905,412	\$	1,037,436	\$	1,185,432	\$	775,841	\$ 409,591	0.88
2004	3,778,678		3,515,308		263,370		1,243,960		836,320	407,640	0.21
2005	5,463,229		3,177,099		2,286,130		3,643,705		3,439,409	204,296	0.63
2006	4,221,652		2,809,040		1,412,612		1,883,526		1,459,047	424,479	0.75
2007	4,735,201		3,239,193		1,496,008		1,995,133		1,473,439	521,694	0.75
2008	4,803,220		3,771,844		1,031,376		2,053,005		1,563,898	489,107	0.50
2009	5,345,312		3,662,075		1,683,237		2,127,619		1,640,036	487,583	0.79

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Operating expenses do not include interest or depreciation.

Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 17

Demographic and Economic Statistics
Last Seven Fiscal Years
(Unaudited)

Fiscal Year	Population(1)	Personal Income Amounts Expressed in Thousands(5)	Per Capita Personal Income(2)(5)	Median Age(1)	School Enrollment(3)	Unemployment Rate (%) (4)
2003	12,988	\$ 343,961	\$ 26,483	36.3	2,842	9.4
2004	12,939	360,079	27,829	36.4	2,798	7.2
2005	12,986	371,374	28,598	36.6	2,815	6.6
2006	13,075	393,218	30,074	36.7	2,901	5.4
2007	13,229	410,774	31,051	36.7	2,852	5.6
2008	13,554	-	-	37.0	2,863	7.2
2009	13,670	-	-	38.1	2,808	15.5

Data Sources

- (1) North Carolina Office of State Budget and Management
- (2) State Department of Commerce, Bureau of Economic Analysis
- (3) School District: Newton-Conover City Schools
- (4) North Carolina Employment Security Commission
- (5) Information not available for some years

Note: Separate data for the City is not available except for the population amounts, Catawba County data was provided. Personal income information is a total for the previous year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.
Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 18

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

	2009			2000 (1)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
<u>Employer</u>						
Catawba County Schools	1,975	1	2.58%			
Catawba County Government	1,306	2	1.71%			
McCreary Modern	668	3	0.87%			
Target Distribution Center	500	4	0.65%			
Lee Industries	420	5	0.55%			
Goldtoe-Moretz	335	6	0.44%			
Newton-Conover City Schools	413	7	0.54%			
Technibilt	350	8	0.46%			
United Church Homes & Services	340	9	0.44%			
General Dynamics	253	10	0.33%			
Total	<u>6,560</u>		<u>8.57%</u>			
Total Civilian Labor Force	<u>76,584</u>					

Sources: City of Newton Public Information Office
(1) 2000 information not available

CITY OF NEWTON, NORTH CAROLINA

Table 19

**Full-Time Equivalent City Government Employees By Function
Last Seven Fiscal Years
(Unaudited)**

Function	Full-Time Equivalent Employees as of June 30,						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government							
City Manager	4	4	3	3	3	3	3
Human resources	2	2	2	2	2	2	2
Finance	13	12	13	12	12	12	13
Public Safety							
Police							
Officers	35	36	35	35	35	35	35
Civilians	9	8	8	8	8	8	8
Fire							
Firefighters and officers	16	16	16	22	25	25	26
Recreation							
Administration	12	11	11	11	11	11	11
Community appearance	4	4	4	4	4	4	4
Public Works:							
Public works	3	3	3	3	3	2	3
Street	10	10	9	9	9	10	10
Equipment services	3	3	2	2	2	2	2
Environmental Protection:							
Solid waste	14	13	12	12	12	13	13
Economic and Physical Development:							
Planning and zoning	5	4	4	4	4	4	5
Water and Wastewater:							
Water treatment plant	8	8	8	8	8	8	8
Distribution and collection	10	10	11	11	12	11	10
Wastewater treatment plant	13	13	13	13	13	13	13
Electric	<u>11</u>	<u>11</u>	<u>12</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>15</u>
Total	<u>172</u>	<u>168</u>	<u>166</u>	<u>173</u>	<u>178</u>	<u>178</u>	<u>181</u>

Source: Finance Department's budgeted personnel records.
Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 1 of 2

Operating Indicators By Function
Last Seven Fiscal Years
(Unaudited)

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Public Safety							
Police							
Calls for service	17,840	20,587	21,494	18,372	21,340	17,830	17,682
Arrests	786	625	696	689	679	709	738
Traffic stops	3,696	3,993	3,425	2,966	2,291	1,603	1,714
Citations	2,824	3,704	3,363	2,672	2,486	1,677	1,772
Property checks	286	361	356	109	226	269	646
Incidents	1,998	2,268	2,225	2,155	2,252	2,090	2,123
Fire							
Emergency incidents (calls)	598	619	665	823	689	828	806
Fire inspections completed	690	715	756	801	529	546	601
Fire prevention programs	NA	98	153	172	442	265	237
Permits issued	NA	9	121	56	40	51	39
Training hours completed	NA	4,788	7,922	9,248	8,218	10,181	7,829
Highways and streets							
Paved/resurfaced (miles)	1.70	2.05	-	2.09	-	1.39	3.00
Potholes repaired	42	30	26	43	53	65	11
Sanitation							
Residential collections (tons)	8,173	7,985	7,459	6,493	4,711	4,495	4,114
Recyclables (tons)	658	633	564	531	422	418	472
Yardwaste collected (tons)	1,332	1,764	1,947	2,009	717	279	440
Households served	5,037	5,037	5,037	5,077	5,077	5,368	5,368
Cultural and recreational (participants)							
Center activities	5,000	6,725	8,000	9,713	17,691	18,011	19,252
Athletic	20,283	19,886	20,984	21,022	34,086	36,250	56,205
Fitness room	212	390	909	1,761	1,901	2,565	3,575
Swimming pool	3,500	1,565	4,240	3,837	5,300	5,611	6,571
Shelters	482	483	500	607	750	842	1,085
Cemetery burials	79	67	63	55	61	60	50

CITY OF NEWTON, NORTH CAROLINA

Table 20, page 2 of 2, cont.

Operating Indicators By Function Last Seven Fiscal Years (Unaudited)

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Water							
New connections	NA	139	156	47	59	83	38
Water main breaks	17	14	18	15	22	44	46
Average daily consumption (MGD)	2.29	2.18	2.02	2.36	3.29	3.40	3.40
Number of customers	5,632	5,771	5,927	5,974	5,950	6,029	6,029
Wastewater	-						
Average daily sewage treatment (MGD)	3.72	3.36	3.69	2.40 a	2.03	1.64	1.64
Number of customers	4,474	4,500	4,587	4,668	4,653	4,902	4,902
Electric							
Average daily usage (kwh)	305,343	316,234	314,263	325,466	394,807	386,553	387,314
Peak demand	NA	24,221	24,941	26,944	29,748	31,033	28,969
Number of customers	4,274	4,336	4,399	4,443	4,465	4,571	4,806

Sources: Various government departments.

Note: Indicators are not available for general government function.

(a) 2006 contract with the City of Hickory was terminated
Information not available for 2000-2002.

CITY OF NEWTON, NORTH CAROLINA

Table 21, page 1 of 2

Capital Asset Statistics By Function
Last Seven Fiscal Years
(Unaudited)

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Public Safety							
Police							
Police stations	2	2	2	2	4	3	3
Police patrol vehicles	36	36	36	36	28	29	30
Other police vehicles	12	12	12	12	19	19	18
Fire							
Fire stations	3	3	3	3	3	3	3
Fire suppression vehicles	9	9	9	9	9	9	9
Other fire vehicles	5	5	5	5	6	7	7
Highways and streets							
Streets maintained (miles)	75.85	76.83	76.83	76.83	77.22	77.39	77.39
Storm sewer (miles)	25.83	25.83	26.19	26.19	26.46	26.52	26.52
Sidewalk (miles)	26.10	27.50	27.50	27.50	27.84	27.84	27.84
Catch basin inlets	1,360	1,360	1,362	1,364	1,377	1,380	1,380
Powell Bill equipment	15	17	17	15	15	15	15
Street equipment	18	17	18	18	18	18	18
Sanitation							
Residential trucks	2	2	2	2	2	2	2
Dumpster trucks	2	2	2	1	1	1	1
Other equipment	11	11	11	11	11	11	11
Cultural and recreational							
Recreation centers	2	2	2	2	2	2	2
Parks	5	5	5	5	5	5	5
Park acreage	63.5	63.5	63.5	63.5	63.5	63.5	63.5
Swimming pools	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8
Cemeteries	2	3	3	3	3	3	3

cont.

CITY OF NEWTON, NORTH CAROLINA

Table 21, page 2 of 2, cont.

**Capital Asset Statistics By Function
Last Seven Fiscal Years
(Unaudited)**

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Water							
Water lines (miles)	165.0	165.0	178.5	178.5	175.7	182.9	182.9
Fire hydrants	1,046	1,049	1,061	1,067	1,070	1,075	1,075
Maximum daily capacity-MGD	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Wastewater							
Sanitary sewers lines (miles)	123	123	125	127	119	131	133
Maximum daily capacity-MGD	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Electric							
Number of distribution substations	5	5	5	5	5	5	5
Services lines (miles)	107	107	107	110	125	125	125

Sources: Various city departments.

Note: Indicators are not available for the general government function.
Information not available for 2000-2002.

COMPLIANCE SECTION

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

**Report on Compliance With Requirements Applicable to
Each Major State Program and Internal Control Over
Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act**



Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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Morganton, North Carolina 28655
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**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
City of Newton, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Newton, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City of Newton, North Carolina's basic financial statements and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Newton, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newton, North Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Newton, North Carolina's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Newton, North Carolina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Newton, North Carolina's financial statements that is more than inconsequential will not be prevented or detected by the City of Newton, North Carolina's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See items 2009-1 and 2009-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Newton, North Carolina's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2.

City of Newton, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Newton, North Carolina's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Loufermille Church & Co.

December 9, 2009

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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**Report On Compliance With Requirements Applicable To Each Major State
Program And On Internal Control Over Compliance In Accordance With
OMB Circular A-133 And The State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Newton, North Carolina

Compliance

We have audited the compliance of City of Newton, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. City of Newton, North Carolina's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of City of Newton, North Carolina's management. Our responsibility is to express an opinion on the City of Newton, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about City of Newton, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Newton, North Carolina's compliance with those requirements.

In our opinion, City of Newton, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of City of Newton, North Carolina is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered City of Newton, North Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Newton, North Carolina's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Loufermiller Church & Co.

December 9, 2009

CITY OF NEWTON, NORTH CAROLINA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified that are
not considered to be material weaknesses?

 X yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified that are
not considered to be material weaknesses?

_____ yes X none reported

Types of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of Circular A-133

_____ yes X no

Identification of major federal programs:

None.

Dollar threshold used to distinguish
between Type A and Type B Programs

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

CITY OF NEWTON, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified that are
not considered to be material weakness(es)? _____ yes X none reported

Types of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act _____ yes X no

Identification of major State Programs:

Program Name

Non-State System Street-Aid Allocation - Powell Bill
Industrial Development Fund Grant
NC Economic Infrastructure Grant

Section II. Financial Statement Findings

Finding: 2009-1

Significant Deficiency

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.
Condition: City of Newton expended more than appropriated in the annual budget ordinance as follows:

General Fund:	
Debt service - principal payment	\$ 2,140
Water and Wastewater Fund:	
Debt principal	20,036
Interest expense	13,583
Electric Fund:	
Debt principal	1,281
Capital outlay	1,480

Effect: Moneys were spent that had not been appropriated.
Cause: The City received and expended funds that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.
Recommendation: Budget amendments should be adopted when expenditures exceed budgeted appropriations.

Views of responsible officials and planned corrective actions: The City agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

CITY OF NEWTON, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Finding: 2009-2

Significant Deficiency

Criteria: CDBG Moretz Ind Access Road Special Revenue Fund has a deficit fund balance.
Condition: City of Newton expenditures in the CDBG Moretz Ind Access Road Special Revenue Fund exceeded revenues.
Effect: Excess expenditures over revenues resulted in a deficit fund balance.
Cause: Funds were expended that exceeded revenues.
Recommendation: The deficit fund balance should be corrected through the transfer of funds and/or grant revenues.

Views of responsible officials and planned corrective action: The City agrees with this finding and is in the process of transferring funds.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

CITY OF NEWTON, NORTH CAROLINA

**Corrective Action Plan
For the Year Ended June 30, 2009**

Section II. Financial Statement Findings

Finding: 2009-1

Name of contact person: Serina Hinson, Finance Director

Corrective Action: The members of the City Council will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as will be necessary.

Proposed Completion Date: The City Council will implement the above procedure immediately.

Finding: 2009-2

Name of contact person: Serina Hinson, Finance Director

Corrective Action: The deficit fund balance will be addressed through the transfer of funds and/or grant revenues.

Proposed Completion Date: Immediately.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

CITY OF NEWTON, NORTH CAROLINA

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2009**

Finding: 2008-1

Status: The finding is still valid.

Finding: 2008-2

Status: The finding is no longer valid due to the following:

- (1) The City has hired a finance director with the expertise to prepare the draft financial statements in conformity with generally accepted accounting principals.

CITY OF NEWTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2009

<u>Grantor/Pass Through Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Federal Awards:</u>					
<u>U.S. Housing and Urban Development</u>					
Passed Through the N.C. Department of Commerce					
Division of Community Affairs:					
Community Development Block Grants/States					
Program-North Carolina Small Cities CDBG	14.228	XXXX	\$183,818	\$ -	\$ -
<u>U.S. Department of Justice</u>					
Bulletproof Vest Partnership Program	16.607	XXXX	1,489	-	-
<u>U.S. Department of Justice</u>					
07 Assistance to Firefighters Grant Program	97.044	XXXX	<u>44,723</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>230,030</u>	<u>-</u>	<u>-</u>
<u>State Awards:</u>					
<u>North Carolina Housing Finance Agency</u>					
N.C. Housing Finance Agency Urgent Repair Grant		XXXX	-	14,229	-
<u>North Carolina Department of Commerce</u>					
Industrial Development Fund Grant		XXXX	-	400,000	5,246
<u>North Carolina Rural Economic Development Center</u>					
N.C. Economic Infrastructure Grant		XXXX	-	500,000	50,000
<u>North Carolina Department of Transportation</u>					
Powell Bill		XXXX	<u>-</u>	<u>555,451</u>	<u>-</u>
Total assistance - State programs			<u>-</u>	<u>1,469,680</u>	<u>-</u>
Total assistance			<u>\$230,030</u>	<u>\$1,469,680</u>	<u>\$55,246</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Newton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.